CLOSE TO THE CUSTOMER

AN AMERICAN MANAGEMENT ASSOCIATION RESEARCH REPORT ON

CONSUMER AFFAIRS

AMA Briefings & Surveys

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Table of Contents

The AMA Survey on Consumer Affairs and Customer Relations

Foreword by John Guaspari 5

1. About This Survey 11
2. How Companies Listen to Their Customers 15
3. The Role of a Consumer Affairs Department 30
4. Internal Measures 38
5. Quality and Service: Part of the Customer Relationship 43
6. Sales Force Training 53
7. The Real Secret 58

Closeups of Some Superstars

8. The Goodyear Tire & Rubber Company 63
9. Procter & Gamble 68
10. Benetton 73
11. New York State Electric & Gas 78

Appendices

Additional Survey Statistics 86
Resources 94

Foreword

By John Guaspari

Keeping "Close to the Customer": Do We Really Mean It?

AND IF we really *do* mean it, what exactly is it that we mean? With this in mind, I set about perusing the results of the AMA survey on consumer affairs. I kept an eye pealed for the phrase "keeping close to the customer," while considering four basic questions:

- How do we gather information from our customers? What seems to work best?
- Where does that information go? Who in the organization gets it?
- What do we do about it?
- What might it all add up to?

Before delving into those observations, I'd like to thank the AMA membership publications staff and the project director for giving me the opportunity to comment on the results of their efforts. Having been involved in the development and implementation of such surveys in the past, I am aware of just how much work is involved, and I am very grateful to have been given this platform. Call it "pontification without perspiration."

How do we gather information from our customers? What seems to work the best?

Section II of the survey asked respondents (among other things) to rate the effectiveness of a number of possible tactics used to assess consumer needs and satisfaction. The three most effective tactics (and here, as throughout the rest of these observations, I'm referring to the entire survey sample) were:

- 800 numbers (effectiveness rating: 4.08, out of a possible 5.00)
- Focus groups (3.89)
- Mail/phone questionnaires (3.75)

When customers call an 800 number, they initiate the call to talk about whatever it is they want to talk about on their own terms: (1) easy for customers to do; plus (2) wide open in terms of what they might talk about; yielding (3) the most effective results of the tactics considered.

Focus groups do add a few limitations. We set them up, and *we* define the agenda. But once at a (reasonably well-run) focus group, customers are free to say pretty much what they want to say, in pretty much whatever way they want to say it. Again, a lot of freedom, a lot of breadth, a lot of effectiveness.

The format of mail/phone questionnaires obviously imposes more rigidity on the feedback process. But properly designed and implemented, such questionnaires give customers an opportunity to provide us with a great deal of reasonably pure, reasonably undiluted information. Most worthwhile.

Contrast these tactics with the three rated as least effective:

- Point-of-purchase surveys (3.59)
- Assigning nonsales personnel to point-of-purchase stations (3.33)
- Comment cards enclosed with merchandise (3.33)

Point-of purchase surveys impose our terms on the customer. We're soliciting the information we want, when we want it, in what is usually a rigidly restricted form. Said another way, it's not so much us "getting close to customers" as it is us "wrenching customers closer to us"—whether that's where they want to be at that particular moment or not. And it shows in the tactic's effectiveness rating.

Comment cards enclosed with merchandise are useful for creating and updating mailing lists as well as for other perfectly legitimate and worthwhile marketing purposes, but they apparently leave much to be desired when it comes to tracking customer needs and satisfaction. That should come as no surprise. After all, how much information can we cram onto a typical business reply card? And more to the point, when customers open the box—which is the only time they are inclined to so much as handle such a reply card—how much can they know about their satisfaction level?

Question: Is it reasonable to infer that the easier we make it for people to contact us and the fewer restrictions we impose on the information they give us, the more effective the tactic will be?

Where does that information go? Who in the organization gets it?

Section II of the survey also asks a number of questions about consumer affairs departments. In keeping with the "close to the customer" theme of these observations, another question comes to mind: Do such consumer affairs departments serve to facilitate the communication of customer satisfaction information throughout the organization—that is, do they help to draw the organ-

ization as a whole closer to the customer?—or do they provide a layer of insulation, separating the rest of the organization *from* the customer? ("Oh, no! We've got a customer satisfaction problem on our hands! Get 'consumer affairs' right on it!")

The survey also shows that for 64 percent of the respondents, the consumer affairs department was headed up by a member of middle management, whereas someone from senior management ran consumer affairs in just 21 percent of the cases.

All of which suggests a parallel to the progress made by organizations over the last decade or so in dealing with the issue of "quality." Two of the central tenets that have led to much of that progress are: (1) quality must be viewed as everybody's responsibility and not just that of the "quality department," and (2) if "quality" is to have the standing (read: *clout*) it deserves, it must be headed up by someone at the highest levels of the organization.

Question: If we really mean "close to the customer," might the same strictures apply to "consumer affairs" as they do to "quality"?

What do we do about it?

Some truly interesting data comes out of Section V of the survey, "Internal Measures."

- 73 percent of those responding keep regular counts of consumer comments/complaints.
- 66 percent issue regular reports on consumer comments/complaints, and 61 percent of those reports go all the way to the CEO level.
- 65 percent track how long it takes to respond to a complaint.
- 61 percent say that consumer affairs objectives are part of their organizations' strategic plans.

Looks pretty good. But consider the other two items measured:

- 34 percent include the competition's effectiveness in consumer affairs in their competitive analysis activities.
- 42 percent include consumer affairs objectives as part of their performance appraisal and compensation systems.

Questions: What are we doing with all those numbers and all those reports? What kinds of strategic plans don't include the competition's performance in an area under consideration? In the final analysis, can we really mean "close to the customer"—and in an organizational context, can we really mean anything—if it's not part of the performance appraisal and compensation systems?

What might it all add up to?

In many ways, I think it comes down to a matter of how we view the issue of "customer satisfaction," both in terms of what it is and how important it is to the organization. A small but revealing clue shows up in Section III of the survey, wherein respondents are asked to rate the effectiveness of

various customer service tactics. The three "tactics" used most often and receiving the highest effectiveness ratings were:

- Quality control and product assurance
- On-time delivery of product/service
- Ability to expedite special customer requests

Now, the fact that those three "tactics" should show up at the top of the list comes as no surprise. What *is* surprising (at least to me) is that such things should be considered "tactics" to increase customer service and satisfaction at all. Calling "on-time delivery" a "tactic" in the effort to increase customer satisfaction is like calling a "reduction in the number of deaths" a "tactic" in the effort to increase average life expectancy.

The survey asks: "What is the highest management level to receive the [consumer comment/complaint] report?" Certainly an interesting and relevant question. But here's another interesting question: "What is the *lowest* organizational level that receives the report?" After all, if we really mean "close to the customer," shouldn't such information go to the top and to the bottom and to all points in between? The 800 numbers are the most effective tactic used. Why not let everyone in on the results of such calls? Listen in on such calls? Take such calls?

Focus groups are effective. Why not run a focus group on the topic: "What is it like to do business with us?" Videotape it. Show it to everyone. Mail/phone questionnaires are effective. Why not let everyone in on the results? Announce the results? Post the results throughout the building for everyone—including customers—to see?

Keeping our beer bills down

None of those ideas are new or earth shattering. In fact, they're precisely the sorts of things that get done in organizations that really "keep close to the customer." In many ways, it comes down to a matter of how you view it. . .a matter of mind-set.

And mind-sets can make a difference when it comes to business success. I can remember my father telling me about his Uncle Bim. Uncle Bim ran a typical neighborhood grocery store in Upstate New York in the 1930s, and my father worked for him part-time. An interesting feature of Uncle Bim's operation was that he would inevitably run out of beer by the 15th of the month. So for the last half of every month, customers wanting to buy beer would be told by Uncle Bim: "Come back after the first of the month."

Finally my father could contain his curiosity no longer. "Uncle Bim," he asked one day (presumably on the 16th of the month), "Why don't you just order more beer so you don't run out?"

"Because," Uncle Bim responded, "I like to keep my beer bills down."

The point, of course, is that Uncle Bim was missing a rather larger point. Yes, minimizing costs is an element of business success, but if you focus on it as your ultimate objective, you can wind up making some (let us be charitable) "curious" business decisions.

Foreword by John Guaspari

There is a mind-set that views "customer service and satisfaction" as an important part of doing business—one of several categories of things with which you must deal in order to be successful. Then there is a mind-set that equates customer service and satisfaction with business success. That is to say, take care of your customers—truly keep close to the customer—and the other categories of business success will take care of themselves.

The question ultimately reduces to this: is our objective to satisfy our customers or "to keep our beer bills down?"

Those organizations that truly do a better job of "keeping close to their customers" do a rather better job at answering it.

1

About This Survey

FOR YEARS he was the favored photographer for the cream of New York's posh private nursery schools. Class pictures and individual shots earned entry to the lucrative family portraiture market. It had become routine: in late winter he (let's call him John Smith—the name is fictitious, the story real) would call the school directors to set a spring date for "Picture Day." He'd do the shooting and deliver the proofs; the school offices would handle the paperwork for orders and collect the cash (keeping 15 percent of the gross). By Memorial Day the business would be done, and he would have new names and home addresses to solicit for further work.

But a new director at one of the schools—one that *New York* magazine, only half jesting, had called "the first step on the road to Harvard"—preferred to set the calendar for the entire year in September. She called John Smith's office to schedule "Picture Day" that far in advance. Smith's assistant, knowing the boss' routine, assured the director that the date would be set in February or March. "He'll get back to you," the assistant pledged.

And indeed, some months later, the photographer called the school's new director—and received the rude news that another photographer had been given the assignment. "I'm sorry, but I did call last fall," the director explained. "You never returned the call. And in any case, our new photographer's ordering system is much better for us. Our families can order prints directly by phone, and they can charge the orders on their credit cards. The school office doesn't have to do any paperwork—and we receive 20 *percent* of the total."

Loss to the photographer: more than a thousand dollars net for a day's shooting, and inestimable opportunities for home family work.

IT'S THE SAME IN ANY BUSINESS

One customer in ten declared himself "less satisfied" with the nation's largest financial institutions, according to a 1986 *American Banker* survey, and the biggest single reason had to do with service. Some unhappy respondents pointed to specifics: banks were too slow to return checks, said one percent of the nationwide sample, while 7 percent said that the banks simply made "too many errors." But 18 percent—by far the largest single segment of those "less satisfied" with institutional performance—complained of a change in attitude rather than an unsatisfactory performance. The constant refrain: "They don't care about me anymore."

From the great to the small, American businesses sense that profits depend more and more on the ability to stay "close to the customer." To Tom Peters, being in touch is the essence of excellence; to *Time* magazine, the problem of service is a 1987 cover story. But Frank Wannamaker's admonition that "the customer is always right" is a hundred years old, and Paul Simon and Art Garfunkel were singing this song some 20 years ago:

> It's the same old story, everywhere I go
> I get slandered, libeled
> I hear words I never heard in the Bible. . .
> But I'm trying to keep the customer satisfied
> Satisfied!

This AMA Report is not an exercise in cheerleading. We're not adding our voices to the massed chorus; you don't need to hear from us what you've heard over and over again: that keeping close to the customer is good business.

But you should find it valuable to know how others are heeding the advice—what they're actually doing to keep the customer satisfied, and how much they're spending to do it.

The matter goes beyond signs and slogans. It reaches into sales training—a hundred hours a year in some cases. It pays for 800 lines—to the tune of half a million dollars a year for the largest users. And it drives newborn departments with titles like "Office of Public Responsibility"—a long way from the old "Complaint Department."

MAKING IT HAPPEN

It's not that signs and slogans do any real harm, says splenetic quality guru Edward Deming; it's just that they do very little demonstrable good, and may lead an organization along a detour that bypasses the actual solution. Frequent variations on the theme that "customer satisfaction is everyone's business" may be just so much noise. The quality of a corporation's relationship with its customers won't improve because the CEO has made a speech or because three articles have appeared in the company newsletter.

Is it "everyone's business"—this matter of keeping customer satisfied? The consumer affairs department answers inquiries and fields complaints. The sales force makes sales calls. Market researchers conduct focus groups. The R&D staff conducts its value analysis, attaching dollar benefits to product features. And shipping pushes the finished goods out the door, more or less on schedule. Each actor plays a part.

AMA research sought the sum of these parts—with thorough questionnaires, searching interviews, and detailed case studies. We found that successful, high-growth companies, as well as those nominated by their peers as "best in the field" in consumer affairs and customer relations, integrate all those parts into strategic business *plans* that run on a good deal more than slogans.

We discovered that success demands something beyond good products and expert service. An analysis of questionnaire data revealed that high-growth companies work hard to stay in touch with the market—*and willingly spend the money to do so.* To these firms, consumer affairs are part of the overall company strategy. Consumer affairs objectives are written into the long-range plan. Perhaps most important, consumer affairs expenditures are considerable, and growing at a rate commensurate with overall corporate growth. Money, not sloganeering, is the mother's milk that feeds the effort.

Other correlations between high growth and close-to-the-customer savvy:

- The high-growth firms are dramatically more outspoken in talking about what works for them. They know their customers—and they have very strong feelings about the information channels that will keep that knowledge fresh.
- Successful companies spend more money on customer information channels—about 20 percent more on personnel, and almost twice as much on contracted services and overhead. This is true for companies of all sizes and every type of industry.
- Successful companies spend more time (and more money) training and nurturing their sales forces: more product updates, more training in sales tactics and interpersonal skills.
- The winners have structured systems for monitoring customer complaints, standards for response time, and networks for moving the information to the people who can act upon it.

The key, in a word, is "infrastructure." Companies that work hard to stay close to the customer have streamlined communications among departments, purchased new technology or adapted what they have, and discussed the values they wish everyone in the organization to share. Where such an infrastructure exists, customer satisfaction is, in fact, everybody's business.

THE AMA QUESTIONNAIRE

Because customer relations cuts across an array of functional areas within an organization, the AMA survey questionnaire was divided into five distinct sections.

Section I: Tactics and Ratings. We offered a checklist of nine tactics to assess consumer needs and satisfaction, and asked if any or all were in use at respondent companies. Then we asked for a rating of each tactic on a 5-to-1 scale, with 5 representing the highest rating. Finally, we asked respondents to identify the three *most effective* tactics as they saw them, and to tell us their annual expenditures for each of these practices—one figure for personnel, another for the combined costs of contracted services, materials, and overhead.

Section II: Consumer Affairs Departments. "Do you have a department, of whatever size, dedicated specifically to consumer affairs?" we asked. For those who answered in the affirmative, we offered a set of questions on the size and scope of the department's operations.

Section III: Internal Measures. Essentially, we posed questions about the infrastructure as applied to consumer relations: how consumer comments and complaints move through an organization, how they are tracked, and who acts on them.

Section IV: Customer Service. We offered another checklist, this time of seven customer service tactics, and again asked for effectiveness ratings on a 5-to-1 scale, as well as a choice of the three *most effective* tactics in building a customer service program and assuring repeat customers.

Section V: Sales Force Training and Tactics. We asked how many days of training new sales representatives receive on joining the company, and then how many *hours* of training they receive over the course of a year in various specialized sales techniques.

Section VI: What the Numbers Can't Tell. We posed an "open ended" question: what have respondents found most effective in maintaining close ties with customers and consumers? We invited examples, with special emphasis on techniques not covered elsewhere in the questionnaire.

Finally, we asked respondents to tell us who the leaders were. Which companies—in their industries—were taking a leadership position in customer relations? Because of the diversity of industries represented, a consensus emerged in only a few cases. The companies thus nominated receive special attention in a later chapter of this report.

We sent questionnaires to individuals selected from both the membership lists of the AMA and the Society for Consumer Affairs Professionals (SOCAP), a Washington, D.C. based association of specialists in the field.

Respondents received and returned the questionnaire by mail in the summer of 1986. In the fall, AMA added to the sample by inserting questionnaires into course notebooks given to participants in AMA marketing seminars. By year's end, the effort had yielded 267 usable returns, which serve as the database for the statistical analysis that follows. Data tables appear in Appendix I of this report.

In presenting the data, we divide the respondents by organizational size as determined by annual sales, or, for nonprofit organizations, annual budget. "Small" companies are defined as those with less than $50 million in annual sales; "mid-sized" firms, $50 million to $500 million; and "large" companies, more than $500 million.

BUILDING ON THE DATA

AMA's researchers went beyond the numbers. We talked to respondents who'd told us they had stories they wanted to share; we redoubled our investigation of companies that seemed particularly successful in consumer affairs and customer service; we conducted dozens upon dozens of interviews with department heads, corporate V.P.s, even CEOs and board members.

AMA wishes to express its thanks to SOCAP Executive Director, Lou Garcia, for his help and guidance through this project, and we invite our readers to contact the society's headquarters at 4900 Leesburg Pike, Suite 311, Alexandria, Virginia 22302.

2

How Companies Listen to Their Customers

LET'S ASSUME that customers want a voice. They want to be heard. Perceptions that the company *is listening* can be crucial in creating loyalty to a product or service. Let's also assume that the company wants to hear what is being said for a variety of business reasons.

Section I of our questionnaire focused on how this listening takes place. We asked respondents to tell us what listening devices they were using, to rate the effectiveness of the channels used, and to suggest how much such listening costs. (For a more precise sense of how we posed the questions, see the box on page 16.)

Several important findings emerged:

- In general, the best initial information is coming from "open-ended" and "high-touch" areas, focus groups and 800 numbers.
- High-growth companies have very clear ideas about what channels convey the best information—and they spend dramatically higher amounts in maintaining these channels.
- The effectiveness ratings vary widely. Even those "listening tactics" rated lowest by the group as a whole found at least one champion. Conversely, some respondents gave less than complimentary reviews to the favored channels.

This diversity came as no surprise. One explanation: there's an art to listening as well as to managing a listening channel. (It can't be done in a perfunctory manner.) Another explanation: company size, industry category, and objectives influence the "how" of listening.

First, a look at the survey results from the overall sample, along with additional information from follow-up interviews and other sources. Then, some suggestions on how one variable (type of industry) may influence the way companies keep their ears perked for consumer concerns.

The Questions:

- Which of these tactics does your company use to assess consumer needs and satisfaction?
- How would you rate the effectiveness of each tactic on a 5-to-1 scale, a 5 indicating the highest effect, a 1 the lowest.
- Which of these tactics do you find most effective, and at what annual cost?

800 numbers for comments, questions, or complaints
Comment cards enclosed with merchandise
Mail/phone questionnaires
Point-of-purchase surveys
Focus groups on existing product line
Consumer education materials
Employee training in consumer relations
Regular company-wide programs on consumer relations
Assigning nonsales personnel to point-of-purchase stations
Other (specify)

800 NUMBERS

Toll-free numbers, regarded as something of a gimmick when introduced, have since revolutionized sales and customer service operations. There are now more than 400,000 toll-free numbers in place, used for a variety of business purposes: placing orders, checking on stock prices, asking questions about products, registering complaints. Here are the statistics on 800 numbers:

Used by:

53% of all respondents	Ave. rating: 4.08
58% of large companies	Ave. rating: 4.22
54% of mid-sized companies	Ave. rating: 4.02
55% of small companies	Ave. rating: 3.91

Rated *most effective* by:	Average annual cost
36% of all respondents	$384,000
41% of large companies	$653,000
32% of mid-sized companies	$160,000
33% of small companies	$276,000

Use of 800 numbers has mushroomed in recent years. In 1986, five *billion* calls (reportedly worth $4 billion in revenues to AT&T) were placed. Most of the business involved buying and selling: the nationally distributed Spiegel catalog generated $650 million in sales through Spiegel's toll-free number—80 percent of its total 1986 sales. L.L. Bean, old to customer service but new to 800 lines, expects 5.5 million calls in its first year of operation.

Large firms as diverse as IBM, DuPont, and Clairol offer product information and accept complaints over 800 lines. Most of Clairol's callers have questions about what product line or shade is appropriate for their individual needs; 85 percent of the 550,000 calls Clairol fields annually are inquiries rather than complaints. First-time users need reassurance, Clairol has learned, and a voice on the phone proves more supportive than the printed word.

A reported 30 percent of the callers become brand-loyal customers. In an interview with *Customer Service Newsletter,* Sandy Rosenthal, then-manager of consumer relations, sums up Clairol's experience: "When customers don't have the answers to their questions, they become confused and drop out of the market. But once satisfied, they tend to purchase and repurchase the recommended product."

However, there are debits as well as credits to the 800 numbers. They invite frequent callers more interested in conversation than information, say some respondents. Much time goes to providing routine responses that customers could just as easily learn from printed directions enclosed with the product. Such calls detract from the productivity of 800-line customer service representatives, and block up the lines for callers with more serious inquiries.

For one manager, the situation became so frustrating that he shut down the 800 line and undertook an extensive and systematic customer reeducation process—instruction in how and where to find needed information, exclusive of phoning headquarters. The effort paid off: when the 800 line was reintroduced, usage steadied at an acceptable level and the ratio of "revenue producing" to "non-revenue" calls improved—with no decline in sales volume or market share.

COMMENT CARDS WITH MERCHANDISE

Although nearly 40 percent of the AMA sample use them, comment cards limped in dead last among all tactics in terms of effectiveness. Here are the scores:

Used by:

38% of all respondents	Ave. rating: 3.33
42% of large companies	Ave. rating: 3.62
35% of mid-sized companies	Ave. rating: 3.31
38% of small companies	Ave. rating: 2.97

Rated *most effective by:*	Average annual cost
13% of all respondents	$103,000
14% of large companies	$185,000

12% of mid-sized companies	$ 51,000
14% of small companies	$ 82,000

Notwithstanding their poor showing, some organizations find them advantageous. Because they are enclosed with the product, they require no separate distribution channels. It is true, as John Guaspari points out in his foreword, that the cards fall into the customer's lap while he or she is opening the product—that is, before it's been used—but it is also true that at that very point, questions about the nature of the sales transaction itself and the customer's search for the desired product are fresh in mind. Costs are low. Mailing lists gain names and addresses. Retail outlets may be rated for service and product knowledge.

In one business at least, comment cards are filled out at the very moment the service is provided. The Marriott hotel chain prizes the 750,000 questionnaires it receives annually from its guests. According to Ray Stone, director of Marriott's Office of Consumer Affairs (and immediate past president of the Society for Consumer Affairs Professionals), every one of those questionnaires is read, and an attempt is made to contact every guest who undergoes a bad experience in a Marriott hotel.

To Stone, the key is questionnaire design. Marriott draws its questionnaire in the light of research that cites three reasons why people don't normally complain:

- They don't know where to register the complaint.
- They don't want to be hassled when they complain.
- They don't think it will do any good to complain.

Marriott's answer: materials (like the comment card) that direct the complaint and assure the customer that the host is eager to hear it, along with a quick response to the complaint when it is registered, and follow-up contacts to assure that the matter was resolved in a satisfactory manner.

MAIL/PHONE QUESTIONNAIRES

Third on the list in both popularity and effectiveness, this tactic differs from comment cards in that the company selects, either randomly or scientifically, a portion of its customer base and probes far more deeply than an ordinary comment card can. The results:

Used by:

61% of all respondents	Ave. rating: 3.75
72% of large companies	Ave. rating: 3.85
58% of mid-sized companies	Ave. rating: 3.63
49% of small companies	Ave. rating: 3.69

Rated *most effective* by:	*Average annual cost*
36% of all respondents	$145,000
41% of large companies	$239,000

32% of mid-sized companies	$108,000
33% of small companies	$ 94,000

What gets a customer to respond to a questionnaire in a meaningful way? All evidence points to the fact that customers want to feel that they are being heard. If they receive a survey by mail or phone, they are more likely to assume that the company sincerely wants their feedback and will follow through on the information provided.

Although anonymous questionnaires may yield a higher return, "identified" responses allow a company the opportunity to follow up with individual respondents. Such a practice yields more information and enhances corporate credibility: it gives the customer the feeling that his or her response really counts.

For the same reason, precoded questionnaires may turn off some respondents. They have an impersonal tone: Marriott's Ray Stone believes in allowing the respondent "a better choice of enthusiastic adjectives than 'excellent.'" Precoded questionnaires work best when space is provided for open-ended responses. It also pays to ask the customer for a signature; it personalizes the survey.

According to *Customer Service Newsletter,* published by the Maryland-based firm of Marketing Publications, Inc., response rates to customer surveys are declining, despite such incentives as high-ticket premiums. On the other hand, some surveys pull in high responses without any incentives at all. The newsletter offers some reasons for success:

- The customer has faith in the company and believes it will take seriously any comments or complaints.
- The survey reaches people who are knowledgeable and can influence "buy" decisions.
- The format of the questionnaire makes it easy to fill out, and the customer has no qualms about doing so (for example, he or she is sure that the response will get no one into trouble).
- The customer's complaints or problems are dealt with and corrected. Honeywell Information Systems does an ongoing survey of its customer base—a portion receives a survey questionnaire every month—and problems are addressed immediately, with a 90-day check-up to assure that the solution is working.
- Companies that keep trying eventually find the keys to success. An insufficient return on a first mailing prompts a second or third attempt.

"Forget the written survey," wrote a *CSN* reader in a letter to the editor. "It makes no difference if you send it to purchasing, receiving, or the actual user. Get out there and do a face-to-face talk. . .I did this with one of our divisions after being totally displeased with written surveys. With the blessing of Sales, I did face-to-face interviews with customers in four western states. Boy, did I find out a lot about what they wanted and needed! Not only did I become better acquainted with how their businesses operated, but also I became well acquainted with owners, managers, and others, and how they viewed our organization.

"Many good things came out of these face-to-face surveys: they made me a better manager, helped the customer understand what we could or could not do, and established much-needed communications that were meaningful and rewarding."

POINT-OF-PURCHASE SURVEYS

The point-of-purchase survey, used by only a third of survey respondents, received one of the lowest effectiveness ratings:

Used by:

31% of all respondents	Ave. rating: 3.59
37% of large companies	Ave. rating: 3.66
32% of mid-sized companies	Ave. rating: 3.69
23% of small companies	Ave. rating: 3.29

Rated *most effective* by:	*Average annual cost*
11% of all respondents	$83,000
11% of large companies	$124,000
13% of mid-sized companies	$ 35,000
11% of small companies	$ 92,000

In their usual format, such surveys are fairly rigid. They don't give the customer much of a chance to express what's on his or her mind. Hence, the rhetorical question posed in the foreword: "Is it reasonable to infer that the easier we make it for people to contact us and the fewer restrictions we impose on the information they give us, the more effective the tactic will be?"

The Vons supermarket chain, with 182 stores in California and Nevada, has developed a model customer feedback program, in which the point-of-purchase survey includes the kind of open-ended response that Guaspari and other experts recommend. Vons uses customer comment forms, prominently displayed at the point of purchase. The self-mailing form states, "We'll pay the postage for your comments . . . If it's important to you, it's important to us." A full two-thirds of the form provides space for the customer's comments and relevant data: date, location of the store, and time of day. The customer also fills in his or her name, address, telephone number, and most convenient time he or she can be reached. Included on the form is a "Customer Bill of Rights," which stresses the customer's "right to be heard." The consumer affairs department can receive as many as 250 comments a day. A staff of four answers the comments, with a turnaround time ranging from one day to two weeks.

Responses vary according to the nature of the comment. Most frequently, the respondent receives a letter done by a word processor, with a personalized greeting and paragraphs tailored to the comment. If a customer has been seriously put out, the department generates a letter to be signed by the president. Comments requiring an even faster or more personal response are turned over to a regional manager, who calls the customer. In some cases the store manager makes the contact.

The responses are keyed according to type of problem or compliment and assigned a number. These are entered into a computer; reports and graphs based on the numbers are valuable to the chain. Specific information can be obtained by such categories as store, type of complaint, or time of day; patterns can be pinpointed and addressed.

The director of consumer affairs includes a "mood of the mail" analysis with the automated reports she submits to the executive management committee.

What to do with all this information? Vons uses it in its management and employee training program, under their acronym ACT—for Action, Courtesy, and Teamwork—or Tact, according to the circumstances.

FOCUS GROUPS

Save for the extraordinarily low rating given the practice by small companies, focus groups would have topped 800 numbers as the highest rated method of staying close to the customer:

Used by:

55% of all respondents	Ave. rating: 3.89
72% of large companies	Ave. rating: 4.00
55% of mid-sized companies	Ave. rating: 4.04
34% of small companies	Ave. rating: 3.32

Rated *most effective* by:	*Average annual cost*
25% of all respondents	$91,000
32% of large companies	$107,000
26% of mid-sized companies	$88,000
26% of small companies	$103,000

The numbers also show by far the widest range across the sample: large companies are more than twice as likely to form focus groups as small ones. This may be a reflection of the cost of doing it right: gathering a carefully selected "jury" of consumers, often paying them for their time and effort, selecting a trained professional to direct the flow of conversation, and recording the commentary (often on videotape) for later study.

Obviously, most large firms are true believers in the benefits of the focus group. Why? According to Judith Langer, publisher of *The Langer Report* and head of her own opinion and market research firm, focus groups are powerful: they make the abstract real, and provide insights into new trends.

The observations gleaned from focus groups cannot be obtained from quantitative data. "Qualitative research allows us to see in consumers what they themselves may not be aware of and what they cannot report in straightforward questionnaires," says Langer.

Focus groups are usually open-ended. Participants can express their views freely; a skillful moderator can extract a wealth of information. "The immediacy of the qualitative research experience provides clients with a gut-level grasp of their customers," Langer comments. "I'm talking about those deep, broad-ranging, experiential, intuitive insights into who these people really are—beyond a list of their attitudes, words, and behavior. The gut-level grasp means that clients gain a sense of what is unique about their customers—the self-perception, the drive, the needs which affect everything they do. It is a basic, comprehensive view that allows the client to enter into the customer's experience, the customer's world."

Furthermore, focus groups can turn around misconceptions. Myths may be debunked by many means, but it is the gut-level experience that really convinces people. Ms. Langer describes an experience that points up the kind of immediate emotional impact a focus group can have. Two focus groups were held on money management and financial services, one consisting of people between the ages of 30 and 54, the other of people 55 and older. The first meeting, with the older group, was lively and spirited. The participants were knowledgeable and enthusiastic. The second group fell flat, with people taking only a half-hearted interest.

A group of clients in marketing, advertising, and research had observed behind a one-way mirror. This group—themselves younger people, for the most part—expressed amazement that "the older people were so sharp."

Langer concludes: "The experience unsettled the young clients' picture of 'senior citizens' as rigid, old-fashioned, slow-witted, and unsophisticated. The focus group did what *Time, The Wall Street Journal*, and *The New York Times* failed to do—it allowed information to penetrate to an emotional, visceral level."

CONSUMER EDUCATION MATERIALS

In evident opposition to the figures on focus groups, questions about consumer education materials produced similar responses from every portion of the sample. There is near-universal recognition that pamphlets and brochures sporting the company logo build customer loyalty by providing easy access to information. Here's what the respondents said:

Used by:

62% of all respondents	Ave. rating: 3.61
76% of large companies	Ave. rating: 3.59
55% of mid-sized companies	Ave. rating: 3.58
51% of small companies	Ave. rating: 3.69

Rated *most effective* by:	*Average annual cost*
27% of all respondents	$207,000
27% of large companies	$227,000
26% of mid-sized companies	$208,000
28% of small companies	$182,000

Hardly a home exists without printed matter on energy efficiency, home safety, or decorating hints—courtesy of a local utility, an insurance company, or a housewares manufacturer. But consumer education is as effective for industrial manufacturers as for consumer goods companies or service industries—and on a scale far beyond an eight-page folder.

The Massachusetts-based Foxboro Company, makers of precision tools and instruments, earmarked $10 million to construct and equip an educational services center, which opened in 1982. It draws an international clientele of 10,000 students a year to learn toolmaking on the company's equipment—building brand loyalty to last a lifetime. This sort of training "turns customers into salespeople," says Foxboro spokesman Jerry Gleason.

How Companies Listen to Their Customers

The FMC Corporation of Tipton, Indiana, sees customer education in its fire apparatus division going right to the bottom line. The division manufactures fire engines—complex and costly equipment bought for volunteer firemen who know little about such sophisticated vehicles. By offering a training program in the care and maintenance of the equipment, FMC has reduced its warranty costs by 15 percent.

The Golden Press, headquartered in Clifton, New Jersey, finds that educated customers can increase the productivity of customer service representatives and keep phone bills down. The firm publishes a booklet for its clients that not only provides names and numbers to call, but also teaches customers how to read an invoice and open and return shipments—exactly the sort of information that callers often seek. By providing it up front, the company keeps its lines open for revenue-producing calls.

Two tips on customer literature from the Customer Service Newsletter:

- Don't give up—even though some customers just won't get the message. There are customers you'll just have to learn to live with.
- Teach customers to teach others. Repair calls should include training customers to train their own personnel in how to solve problems or avoid them in the first place. This applies not only to machine operators but also to purchasing and accounting personnel.

EMPLOYEE TRAINING IN CONSUMER RELATIONS

Obviously a favorite of large organizations, which are far more likely to offer such training and to rate it among their "most effective" tactics. Also, large companies are more likely to support large customer service departments. Ensuring that the customer gets the right information, and that the same information is given consistently, means that personnel need training. The responses:

Used by:

61% of all respondents	Ave. rating: 3.70
75% of large companies	Ave. rating: 3.65
57% of mid-sized companies	Ave. rating: 3.77
48% of small companies	Ave. rating: 3.71

Rated *most effective* by:	*Average annual cost*
29% of all respondents	$294,000
34% of large companies	$710,000
27% of mid-sized companies	$146,000
24% of small companies	$ 46,000

The success story written at Scandanavian Airlines Systems (SAS) encompassed every one of its 27,000 employees. The direction came from SAS president Jan Carlzon, who in two years turned an $8 million operating loss into a $71 million profit when most airlines were suffering major losses. Carlzon's "service management" approach was built on the concept that each and every interaction between a customer and an SAS employee was an opportunity to offer service, and thereby influence the customer's attitude toward the airline. "We have 50,000 such 'moments of truth' every

day," said Carlzon, "and it takes every one of us at SAS to make those moments of truth come out in our favor."

Thus, every SAS staffer went through a two-day training program to learn the ways and means of service management—a concept that Karl Albrecht, writing in *Training and Development Journal*, calls "the new competitive weapon."

"Integral to that," writes Albrecht, "is training to bear a service-oriented culture. Company training resources and organizational development processes must go together to make the organization a customer-driven business enterprise."

REGULAR COMPANYWIDE PROGRAMS ON CONSUMER RELATIONS

These programs encompass the signs and slogans that Edward Deming insists should be torn down and thrown away—and if such programs were no more than that, Deming's case might be unarguable. But there are sufficient "extras" to make an argument the other way. Here's what our respondents said:

Used by:

36% of all respondents	Ave. rating: 3.70
44% of large companies	Ave. rating: 3.91
37% of mid-sized companies	Ave. rating: 3.65
25% of small companies	Ave. rating: 3.33

Rated *most effective* by:	*Average annual cost*
10% of all respondents	$113,000
9% of large companies	$ 92,000
10% of mid-sized companies	$146,000
11% of small companies	$ 94,000

An Ohio-based graphics corporation says that its "customer success" program has dual benefits: letting the customers know that they're important to the company, and boosting the morale of their sales representatives. "Success is given to those who contribute to the success of others" is a slogan worth posting, says this respondent, making the point that a company can succeed only if its customers succeed.

Large firms give companywide consumer relations programs especially high marks; the 3.91 score awarded here trails only the ratings for 800 numbers (4.22) and focus groups (4.00). Moreover, these programs meld into the training function, and the numbers registered above should be read side by side with those for the preceding tactic, "Employee Training in Consumer Relations."

ASSIGNING NONSALES PERSONNEL TO POINT-OF-PURCHASE STATIONS

Dead last in popularity and tying the ill-favored comment card for effectiveness, the slim numbers who favor this tactic skew the dollar figures printed below. When a sample is small, the averages lose

meaning, and the "average" cost of such a program is entirely affected by a single mid-sized firm that spends more than a million dollars a year putting its home-office and traveling sales force behind the retail counters at regular intervals. Bearing this in mind, take a look at the figures:

Used by:

20% of all respondents	Ave. rating: 3.33
22% of large companies	Ave. rating: 3.48
20% of mid-sized companies	Ave. rating: 3.56
18% of small companies	Ave. rating: 2.77

Rated *most effective* by:	*Average annual cost*
4% of all respondents	$581,000
1% of large companies	$ 50,000
4% of mid-sized companies	$870,000
7% of small companies	$ 47,000

But such a commitment is itself a firm comment on the practice. What better way for everyone to stay close to the customer than through regular face-to-face encounters at that most critical of times and places—the moment the customer makes the buy/no buy decision?

Tom Peters strongly touts the tactic in his latest work, *A Passion For Excellence*. He calls it "Management By Wandering Around With Customers," or "naive listening." It's a Levi Strauss executive selling in the jeans department at Macy's, or Campbell Soup's chairman visiting his local supermarket to talk to customers, or a supplier meeting with first-line supervisors in a client's factory. What emerges is the "gut feel" for customers, seeing what they want and why they accept—or reject—your product.

One vice president of corporate planning believes that only the operational managers know the nuts and bolts of the business well enough to sell their service to clients. He's Robert C. Kneip of the Wackenhut Corporation, a security firm that uses no sales personnel whatsoever.

"We're in a totally unstructured industry. There are 10,000 companies in America that sell security services, with a 3 percent increase every year. The four largest companies control 20 percent of the industry. Given this situation, we can't afford not to have a reputation for reliability, timeliness, and efficiency.

"We are the only company, to my knowledge, that does not use sales personnel," says Kneip. "We find that the operational individual who runs the accounts of our various customers is in the best position to represent our service to clients. We invest $3.5 million a year in their training, salaries, and overhead. A salesman is too interested in making the sale, not necessarily in servicing the account."

THE WRITE-IN RESPONSES

The idea of a "consumer panel" received frequent mention, and this is highlighted on page 26.

Among the other write-ins: trades shows, plant tours, meetings staged for client groups, top-level management contact, and the like.

WHAT'S COOKIN' AT BILDNER'S?

Walk into any one of J. Bildner and Son's newly opened speciality food stores in Manhattan, and you're likely to be handed an invitation to apply for membership in a consumer advisory panel. Clip the invitation and return it to the grocer's home office in Boston, and you may be asked to serve on a panel.

If so, you'll meet three or four times a year with 15 to 20 other consumers in your area to talk about store products and services. It's not unlikely that Jim Bildner himself will show up at one of the meetings. If the founder isn't there, you can count on one of the top executives showing up. And you'll always eat well at the meeting.

Although the advisory board tactic is only one year old, consumer affairs director Alison Dodson is enthusiastic about its success. J. Bildner is expanding rapidly. The company now operates 16 stores in Boston, New York, and Atlanta, with 15 additional stores in the planning stages. This forces an intense concentration on the numbers—the "business" aspect of doing business. But, says Dodson, "Since our main goal is service, we make an active and conscious effort to keep that a priority."

The panels are one answer. They provide a streamlined method for identifying consumer needs with regard to product mix and services, as well as generating feedback on how the stores are living up to their images as places "where the butcher and baker know you by name."

People interested in serving on a panel receive a detailed questionnaire, asking for standard demographic information as well as shopping habits and patterns. Dodson selects panel members to provide a representative mix. If there is a college in the neighborhood, the panel will include college students. If husbands and wives shop together, there will be a couple or two on the panel.

Anything pertaining to store operation and marketing is fair game at the panel meetings. What hours are kept? What brands of mustard are on the shelves? Is there a demand for calorie counts...broccoli rabe...Russian black bread? It isn't all just talk. Panel members are given additional questionnaires to fill out. Of course, there are taste tests for new products and old.

The panels have helped the company segment its markets. "You can't think of Boston as just one market," states Dodson. "It's really several markets—and you understand this clearly when you hear 15 or 20 people talk about their shopping habits and what is most important to them in the store."

It isn't the feedback that determines Bildner's basic services (home deliveries, catering, telephone orders, special baked goods). These have been part of the concept since J. Bildner's opened in 1984. Details of service and promotional styles are, however, influenced by the

panelists' combined wisdom. An annual Easter menu, for example, was changed from á la carte to dinner packages at panelists' suggestions, and numerous products have been added to the shelves.

The panels are Bildner's primary means of maintaining consumer contact, but not the only technique. When the company bought a store in a Boston suburb with plans to convert it, the president wrote a letter to everyone in the community to solicit feedback. "The response was overwhelming," Dodson recalls. "An unbelievable number of letters came in, pro and con."

The panels might be looked at as continuing focus groups, but the continuity of members creates an important difference. Is objectivity compromised by the ongoing affiliation? Perhaps. Dodson is quick, however, to underscore compensating factors: The panels put management in direct contact with consumers. Top executives and district managers attend panel meetings, as do store managers; consumers get the signal that management is alert to their concerns. Minutes of the panel meetings are circulated throughout the company and suggestions acted on whenever possible.

And the panelists get a taste of Mexican chicken, Macadamia nut coffee, Russian black bread .

LISTENING, INDUSTRY BY INDUSTRY

Assessing consumer needs is very much a company-specific activity, with company size, type of industry, and research talent (among other elements) conspiring against generalizations. The data can, however, lead to a useful overview of what works for specific industries. Some insights:

- The prize for using the most extensive array of techniques clearly goes to respondents in the financial services industry. Virtually all respondents in this category use 800 numbers. More than 70 percent use comment cards; over half have consumer education materials. Training programs in consumer relations are commonplace, both company-wide and for those who have regular contact with consumers.

- Second place for a multifaceted approach goes to respondents in both professional services and trade (wholesale/retail). More than half of the respondents in the former use 800 numbers, comment cards, consumer education materials, and employee training. In the trade area, mail/phone questionnaires, point-of-purchase surveys, special training programs, and consumer education materials are commonplace.

A multifaceted approach, however, doesn't necessarily translate into effectiveness; nor does widespread use of, say, 800 numbers mean that a phone line is an answer to everyone's problems. Again, the data suggest ways of focusing on what works in various industries. There are three ways of looking at the data:

- *Designated tactics:* those information channels to which respondents assign the highest effectiveness rating.
- *Widespread favorites:* a correlation between extent of use and high effectiveness rating.
- *Promising potential:* information channels that are not in widespread use—but which a minority of respondents see as their most useful.

Here, then, is a look at selected industry categories.

Banking and financial services. The 800 number is by far the favored tactic, used by virtually all respondents in this category. The effectiveness rating, however, comes out to a 3.89, far below that for comment cards and focus groups. Indeed, focus groups seem to hold a great potential: although used by only 50 percent of the respondents, the effectiveness rating comes out to 4.20 on the 5-point scale.

Communication/publishing. These respondents feel that they are getting the best information from focus groups—used by 80 percent of the respondents and carrying an effectiveness rating of 4.00. A special emphasis on training for customer service personnel is also in widespread use. The few respondents who have extended the customer-sensitivity training to all employees report extraordinary results.

Lodging/recreation. It comes as no surprise that comment cards are the widespread favorites, used by more than 80 percent of the lodging/recreation respondents. These are not, however, the best information channels, say respondents. Well-trained personnel are the real key to keeping in touch with the guests. There are clearly some "promising potential" tactics here: companies that conduct mail or phone surveys, or that ask respondents, face to face, to answer questions at checkout, report very satisfying results—ratings dramatically higher than those for the comment cards.

Food processing/agribusiness. Focus groups are, again, the favored tactic, used by 69 percent of the respondents and rated an impressive 4.23. Although not in widespread use, 800 numbers may merit a closer look: rated a 4.27 by those respondents using them (about half).

Medical/health care. The data are mixed and somewhat inconclusive, reflecting, perhaps, the fact that only recently have medical facilities felt a need to be competitive. Mail/phone questionnaires are widely used, as are consumer education materials. Neither is very effective, according to the respondents' ratings. What might be worth using? Focus groups and point-of-service surveys. The minority of respondents using these rate their effectiveness high indeed.

Insurance. Training programs for consumer-relations personnel are in widespread use but are not as effective as they might be, according to the average rating. The 800 line is the heavy favorite, used by eight out of ten respondents and rated 4.38.

In the "high potential" category, phone surveys deserve consideration. Those respondents who make annual, systematic calls to customers and ask detailed questions say they benefit greatly. Also interesting: having nonsales personnel go on sales visits—rated as a 4.3 by the few respondents that do it.

Manufacturers of consumer goods. Many of the highest rated tactics came as write-ins to the "other" slot: trade shows, dealer education, forums, consumer panels, and the like. Among the

tactics listed, focus groups are the designated favorite, used by 70 percent of the respondents and rated just above a 4.00. The 800 lines, although used less extensively, received a higher rating, at 4.24.

Manufacturers of industrial goods. "My best resource," wrote one respondent, "is a dedicated and well-trained sales force—at a cost of $1 million a year." The idea occurred repeatedly as a write-in, as did the concept of top management's contact with the customers. Predictably, respondents in this category are not heavy users of the listed techniques. Mail/phone surveys are used more than any other tactic—but by only 40 percent of the respondents. The effectiveness: a dismal 3.68.

Professional services. The lawyers, consultants, and accountants who fit, with others, into this category act as heavyweights in researching customer needs. Interestingly, nothing seems to be working exceptionally well. Mail/phone questionnaires for example, used by 80 percent of the respondents, receive an effectiveness rating of only 3.70. Wouldn't focus groups be valuable? Not according to respondents who have run them. The only listed tactic to top a 4.00 rating was the use of nonsales personnel on sales calls—employed by a small minority.

Utilities. Consumer education is the most widely used tactic. Helpful as it may be to the consumer, it doesn't appear to be returning much in terms of building customer relationships, according to the rating. Two other widely used tactics—focus groups and mail/phone surveys—are yielding good information. In the promising potential category: 800 numbers are used by less than half of the respondents, all of whom score the phones at 4.00 or above.

ADDING IT ALL UP

The overarching message in these facts and figures has to do with cost and commitment. *Successful companies put money—lots of money—into the consumer affairs practices that they consider effective.* For small company respondents—those with annual sales of less than $50 million—the average expenditure on 800-number operations easily topped $250,000. The huge Oscar Meyer company spends an average of $6.00 per call in its 800 number bank. Chesebrough Ponds spent $800,000 on the same tactic—while a small manufacturer of industrial goods spent almost twice as much on its 800 line.

Beyond the 800 number: a small firm that sells software to *Fortune* 500 companies spent $110,000 on mail/phone questionnaires, $100,000 on consumer education materials, and $300,000 to educate its own employees in customer relations—and grew by 30 percent in 1986. A mid-sized chemical processor spent $350,000 to leap over its retailers and put its sales people directly in touch with their consumers and increased its sales by 20 percent. A utility spent $750,000 on consumer education materials—and upped its profits by 13 percent.

And a billion-dollar chain of convenience stores—a business that does all its selling over the local counter, one that takes no phone orders at national headquarters—nevertheless spent $200,000 on an 800 line to field customer queries and complaints. Sales revenues increased in 1986 by 19 percent.

The inescapable conclusion: in consumer affairs, the bottom *is* the bottom line. You are—or you become—what you spend. And if you spend more to keep in touch with your customers, they'll spend more on your products and services.

3

The Role of a Consumer Affairs Department

"WHY ARE so many companies shielding their chief executive officers from consumer information?" asks Stanley Berkovitz, vice president and director of consumer and community affairs for Zayre Corp. Our survey results had indicated that many CEOs were *not* receiving regular reports on consumer concerns. Berkovitz was shocked: "I put the challenge to all CEOs to review *at least* quarterly reports from their consumer affairs office and to become involved with their actions."

Like Berkovitz, most consumer affairs professionals are outspoken on certain points. *Customers must be heard. Their concerns must be answered with action.* How else can a consumer affairs staff become a high-energy catalyst for consumer-company contact? These persons may not be the only people in the company who are listening. They can't be. But consumer affairs does provide a special kind of contact that supplements and complements other means.

There are, however, obstacles and perhaps a few misconceptions about the role. To someone who has not seen a good consumer affairs department in action, skepticism may come easily. Consumer affairs? That's the "complaint warehouse"—the people who send out the form letters if you have a problem. Their mission? To insulate the rest of the company from its customers. (Other managers need not be impeded by mundane concerns about what the customers are saying.)

To confront this kind of cynicism—and to provide a glimpse of the larger role that a consumer affairs department can play—we put a series of questions to some of the leading experts:

- How does a consumer affairs department evaluate the quality of the information it gets from the outside? Do "company-set" agendas get in the way—creating situations in which the company hears what it wants to hear?
- How does one make sure that consumer information is getting to the right people, and that action is being taken?
- How can consumer affairs objectives become part of the company's strategic plan? The idea sounds nice on paper. How is it done?

Perhaps all three questions converge on one point: The consumer affairs department's position in the company, its reporting relationship and clout. The implicit question: What kinds of strategic roles can a consumer affairs office play—and how does it achieve the power to make its contribution?

CONSUMER AFFAIRS DEPARTMENTS: THEIR STAFFING AND FUNCTION

Before suggesting answers, let's take a look at some factual information on how consumer affairs departments are staffed, at the reporting relationships, and at the activities that take up the most staff time. This information, primarily from our questionnaire returns, forms a background for answers to the more probing questions.

The statistical material on page 32 comes from our just over 100 respondents with consumer affairs departments in place. We did not attempt to find out how many companies have consumer affairs departments. By drawing our mailing list from both SOCAP and AMA members, we skewed the sample toward companies with such departments.

Our in-depth interviews suggest that there is a great variety in how such departments are positioned and structured, as well as in matters of staff size and budget. A good department is designed to fit organically within a company to achieve certain objectives, our respondents said. Average numbers don't tell the story. Case in point: one *Fortune* 500 respondent reported a staff in excess of 150. The budget figures were also far out of line with other respondents. We excluded this return from our calculations.

A more careful look at the data suggests the following:

Consumer affairs departments are relatively recent additions to the corporate structure. About half of the respondents implemented their departments between 1977 and the present. In many cases, however, this may represent an evolutionary development—a change from a "complaint department" to a function with a broader role. The oldest department: in operation since 1920.

Larger organizations are far more likely to have such departments than are smaller firms. But this hasn't kept some smaller organizations from setting up a consumer affairs function. Also, there seems to be a relationship between company size and management level. The larger the organization, the more likely a higher level manager will head the department. In most cases, the head of the department reports to a vice president; overall, only 14 percent report directly to the company

president. Smaller firms show a greater incidence of relationships in which consumer affairs reports directly to the CEO (presumably because of fewer layers of management). The great mixture of reporting relationships/management staff levels may be a result of both company structure and evolutionary development.

Interestingly, many respondents reported that they had not significantly increased their budgets, fiscal 1986 to 1987. The larger the company, the more likely it is that there will be a budget increase.

Our questionnaire also asked respondents to tell us what activities consumed the most staff time. Not surprisingly, contact with customers (letters and phone) was the time-consumer for virtually all respondents. A second concern: preparing and issuing reports.

Consumer Affairs Departments

Maintained by:

47.2% of all respondents	Since (midpoint): 1980-81
73.8% of large companies	Since 1977
39.3% of mid-sized companies	Since 1980-81
21.3% of small companies	Since 1982-83

Average staff levels:

All respondents: 16	(5 management, 11 hourly)
Large companies: 20	(6 management, 14 hourly)
Mid-sized companies: 12	(3 management, 9 hourly)
Small companies: 7	(2 management, 5 hourly)

Management level, head of department:

All respondents:

21% Senior 64% Middle 13% Supervisory

Large companies:

24% Senior 63% Middle 10% Supervisory

Mid-sized companies:

11% Senior 72% Middle 17% Supervisory

Small companies:

22% Senior 56% Middle 22% Supervisory

Reporting relationships (head of department reports):

All respondents:

14% to president/CEO	7% to V.P., consumer affairs
14% to V.P., marketing	37% to other V.P.

Large companies:

13% to president/CEO
10% to V.P., marketing
6% to V.P., consumer affairs
37% to other

Mid-sized companies:

15% to president/CEO
21% to V.P. marketing
9% to V.P., consumer affairs
38% to other

Small companies:

21% to president/CEO
21% to V.P. marketing
5% to V.P., consumer affairs
37% to other

Average annual expenses:

All respondents:

Personnel, $369,000
Other, $321,000

Large companies:

Personnel, $422,000
Other, $392,000

Mid-sized companies

Personnel, $377,000
Other, $289,000

Small companies

Personnel, $145,000
Other, $100,000

Change in expenses from previous year:

All respondents:

39% spending more
2% spending less
59% no change

Large companies:

41% spending more
0% spending less
59% no change

Mid-sized companies:

38% spending more
3% spending less
59% no change

Small companies:

35% spending more
6% spending less
59% no change

Note: Percentage distribution may not total 100 due to rounding/no answers.

GLIMPSES OF A LARGER ROLE

At Pepsi-Cola, for example, the consumer affairs department is responsible for enforcement of all regulations and works closely with company attorneys in this regard. It has full responsibility for resolving issues, whether by offering coupons or running a self-administered insurance program.

Additionally, the department is responsible for crisis response and serves as recall coordinator. Finally, the department is a profit center, contributing to the bottom line through control and reduction of liability expenditures by identifying or correcting quality issues.

Yes, customer service functions vary markedly as to their respective positions in the company hierarchy. "Customer service"—traditionally regarded as the complaint department—may report to marketing, accounting, production, or distribution, and most often it is at a fairly low level on the organization chart. In contrast, "consumer affairs" is a staff position. It has more clout, reporting directly to the top. In many cases, it is the company's main mouthpiece. For example, in warranty work for many retail chains, consumer affairs must have the full force of the company behind it when dealing with vendors.

As John Guaspari points out in his foreword, 64 percent of the organizations responding to our survey report that the consumer affairs department was headed up by someone from middle management. In only 21 percent of the cases was the department run by senior management. Yet, according to John J. Franco, president of Learning International, "Consumer service in the decades ahead could replace productivity as the key issue for American business." Guaspari suggests a parallel between the quality issue and consumer affairs concerns; just as quality must be seen as everyone's responsibility, so must customer service.

According to Lou Garcia, executive director of the Society of Consumer Affairs Professionals in Business, "The basic mission and strategy of consumer affairs departments is to add value to what other business units are doing. The goal is to have the other business units draw on the consumer affairs department as a support service when they are developing programs or policies. They should see consumer affairs as an in-house consultant.

> "While more and more studies continue to prove the value of consumer affairs, it is not always possible to give management a bottom line contribution figure. Consumer affairs must sell itself as a support service that can contribute long term to the bottom line."

If this is the case, it would seem that now is the time for a new awareness. Evidence of a new awareness—and a dramatically expanding role—comes from answers to our other questions. True, consumer affairs staffs may spend most of their time with phones and letters. But the importance of their contribution goes well beyond this.

With this in mind, let's return to those questions posed at the beginning of this chapter. The answers here come primarily from in-depth interviews with four consumer affairs professionals:

- Ray Stone, Director of Consumer Affairs, Marriott Corp.
- Roger Nunley, Manager, Industry & Consumer Affairs, Coca-Cola USA
- Peggy Haney, Vice President/Consumer Affairs, American Express
- Stanley Berkovitz, Vice President/Director of Consumer and Community Affairs, Zayre Corp.

Our researchers went on to put similar questions to other consumer affairs professionals, but on a not-for-attribution basis. Our deepest appreciation to the four above-mentioned individuals for allowing us to quote them by name.

LISTEN TO THIS

The questions: When does the customer set the agenda? When does the company impose a format?

The answers: In general, effective listening starts with a customer-set agenda. But once definable concerns emerge, the company may well need to impose a more rigid format in order to probe and validate concerns. Company structure and the type of product or service both influence the process.

Stanley Berkovitz of Zayre, for example, confirms that the toll-free numbers, printed on all full-color circulars, "offer the best information from our consumers." But the information gathering doesn't stop there. In addition, Zayre provides addresses where consumers can write, and encourages them to do just that. Moreover, when a customer returns any merchandise, the company follows up with a letter asking two key questions: Why was the merchandise returned? What can be done to ensure continued satisfaction? (Although a very small percentage of the customers make such returns, the search for the "whys" nets some 20,000 responses each year.) Finally, Berkovitz underscores the role of store managers. "We make sure that they are accessible to the public and that they report back to us on what they see and hear."

"It's hard to set an agenda until you see the key issues emerging," states Roger Nunley of Coca-Cola. "The key is to keep the agenda open until certain concerns emerge, then engage in specific research on those concerns. First, let the customer set the agenda, then initiate contacts for information on the narrower issues." Coke's introduction of new products within recent years owes much to this process. "In 1970, Nunley explained, "we had only 6 products on the market. Contact with our consumers through both the company market research department and our customer information center revealed interest in low-calorie, caffeine-free, and low-sodium products. As a result, we now have 25 products on the market." A separate market research department carried out the additional research steps. But it was the job of consumer affairs to monitor those concerns that gave early indication, and thus form the basis for additional research.

Peggy Haney of American Express agrees that different techniques yield different forms of information. "For the most part, the information we get through our 800 lines is of very high quality. But when specific information is needed about a new product or service, it is often necessary to go through other channels to get the information."

Ray Stone of Marriott disagreed with our suggestion that company-written questionnaires are synonymous with "company-set agendas." Guest questionnaires have proved extremely effective for Marriott. The secret: "We cover every item that might be on the guest's agenda." (See Chapter 2 for additional comment.)

Again, there has to be more than one avenue. The questionnaire operation is separate and distinct from the on-site number for customers who are using a hotel's services. "We stress the problem number at the hotel. Aside from problems with reservations before hand or billing after the fact, everything that might be a problem is going to happen in the hotel. And we want to deal with it then and there."

OVERCOMING INSULATION— AND GETTING ACTION

The question: How does a consumer affairs department ensure that information is getting to the right people and that action is being taken?

The answer: Periodic reports to key people, a system and standards for follow-up—these are the keys. Equally important: an attitude of "we shield no one from consumer concerns" and a willingness to be vocal.

The research statistics speak clearly on one point. If a company has a consumer affairs department, you can be almost sure that it also has a system and internal standards for responding to consumer information. If a company doesn't have such a department, bet the other way: that it doesn't have a system. (See the next chapter for details.)

Consumer affairs professionals know who should get information.

"We do a lot with the statistics we receive," states Ray Stone of Marriott. "Every four weeks we circulate a report that goes to Bill Marriott, our board chairman and president; to our hotel general managers; and to everyone in between. We have a 'guest satisfaction index' that is one factor in determining bonuses for top hotel management. The hourly employees—even the engineering staff—are hooked into this index. It's their scorecard every four weeks."

"We put up no barriers . . . shield no one in the company from what the customers think," states Berkovitz of Zayre. Reports go to senior management, including the CEO, as well as to persons on the front lines: merchandisers, department managers, and store managers, who then review the reports with employees.

"Plus, if there's a problem of some proportion," Berkovitz adds, "the person in charge will hear from us daily until it's straightened out. . .It's been argued by some of my colleagues that I'm too vocal at times with my concerns, but that's my job, to let everyone know what the consumers think of our performance. In fact, company policy has been changed by just one letter from a customer."

Peggy Haney notes that American Express may be different from other companies because of its decentralized structure and the diverisity of services. The "action structure" differs accordingly.

For example, Executive Consumer Relations handles complaints that come into the executive offices. These problems may be potentially serious, notes Haney. "The job is to look for the root cause. Meetings might be held with the parties concerned in order to solve the problem and create policies to stop it from happening again."

In addition, there's the Customer Service Task Force, made up of key people from each section's customer service division. This is a clearinghouse, where individuals meet to discuss problems that come up in their departments. "In this way, people get involved with the whole company to disucss problems and create solutions."

And this is in addition to reports from the consumer affairs department, which go to managers at all

levels. All who receive reports are responsible for informing their staff about current consumer concerns.

THE STRATEGIC ROLE

Question: How, exactly, does one write consumer affairs objectives into the company's strategic plan?

Answer: There's no secret about it. You just do it. The consumer affairs department sets its objectives in the context of the company's overall strategy. In addition, this department often plays the role of "internal consultant" in helping other areas set strategic objectives.

Berkovitz of Zayre puts it this way: "When each department writes down its objectives, consumer relations is part of the process—at every level. And each plan gets passed up through the company, the lower level plans included in the next rung up—all the way to the top." Other consumer affairs professionals cite similar arrangements. "It's our job to inform managers about consumer concerns," states Peggy Haney. "In this way, they can build consumer objectives into their individual business plans. We are part of the decision making at all levels."

The proof of a department's stragetic importance often comes in the budget process, points out Nunley. "Coca-Cola wouldn't be spending the money it has on consumer affairs if they considered us just a warehouse for complaints."

4

Internal Measures

IN THE best of all possible worlds—one filled with blue sky—something might happen beyond the level of collecting consumer comments and complaints and issuing reports. Concerns with the consumer might permeate company culture, becoming part of performance appraisals, strategy planning, and competitive analysis, among other internal systems.

Our questionnaire probed the extent of this permeation by asking a number of key questions. Among our findings:

- For some respondents, the permeation isn't blue sky. They do make consumer concerns part of strategies and competitive analysis—and they have ways of evaluating performance against consumer-oriented objectives. These firms, however, are a minority.
- There is, indeed, a relationship between high growth and *some* of the factors investigated.
- Companies with consumer affairs functions are more likely than others to have such internal measures in place.

Because of this last relationship, some of the material presented here has been touched on in the previous chapter, that dealing with consumer affairs functions. This chapter, however, looks at the issues from the perspective of the entire database. Here, then, are the findings, with the questions grouped for readability.

RECORDKEEPING

The questions: Does the company keep regular counts of consumer comments and complaints? Are reports on such matters prepared and circulated? Are there standards for how long it takes to respond to a complaint?

The answers: Overall, about 73 percent of the respondents count up comments and complaints, and 66 percent issue regular reports. Both percentages are higher in larger firms, lower in smaller companies. Not a surprising finding. In a small organization, a company officer can field the complaint directly—call the customer, hear the story, and take action. The larger the company, the more isolated the various functions, the more complex the product lines, and the greater the number of telephone lines leading in. Tracking complaints becomes far more important as a first step to correcting systemic problems.

What do these reports look like? They often categorize complaints and comments, first by in-company problem areas: Stock levels (out of stock, back ordered), product or service quality (unsatisfactory performance, failure to live up to warranty), shipping and delivery (delays, damage), pricing and billing (overcharges, failure to receive refund), promotion (deceptive advertising), repair and service. . .and so on. Such counting can then be cross-referenced to specific products or locations (outlets).

Who gets the reports? At the highest level, they generally go to the company president—true in about 60 percent of the cases. For an additional 15 percent of our respondents, they go even higher—to the chairman of the board.

Sound good? Bear with the statistics for a moment. Not all respondent companies issue these reports. Of those that do, not all send the reports to the president and board. Some simple math shows that:

In about half of the companies studied, the chief executive officer is not receiving regular reports on consumer comments and concerns.

Enough said.

We note, however, that if the respondent has a consumer affairs department, it's almost certain (90 percent true) that reports are issued. In most (but not all) cases, the reports go to the president and chairman. We note also that the incidence of such systems is higher in certain industries: lodging, food processing, insurance, and retail trade, among others.

About 65 percent of the respondents track response time for resolving complaints. Again, the incidence is higher in larger firms, companies with consumer affairs staffs, and within the industries cited.

STRATEGIES AND COMPETITIVE ANALYSIS

The questions: Are consumer affairs objectives made part of the company's overall strategic plan? Does planning include evaluation of the competitors' achievements in this area?

The answers: Overall, a majority (60 percent) do make this concern part of strategy. Few (only about 30 percent) evaluate the competition in this area.

Strategic planning can degenerate into a number manipulation exercise: pull out the matrix and

start putting the cash cows, stars, and dogs in the right squares. Then, back to the spreadsheets to ensure a 5 percent overall growth.

At best, strategic planning involves more: a look at how well the company is meeting its broader mission and goals. Is the company really making and delivering the quality product or service it says it is? Do the customers see it that way? How can we do it all better—answering customer needs in such a way that grows the business?

Questions like these point to strategic decisions in many areas: research and development investment, market research, automation, delivery systems, and the like. It's this kind of strategic thinking we had in mind when we asked the question. And it does occur in the majority of companies studied.

Interestingly, few companies extend the exercise to look at how the competition is doing. Strategy sessions invariably look at other aspects of the competition: market share, new product launches, return on investment, and the like. Is this whole area too "soft" to analyze? Not for those who do it. How long does it take a competitor to deliver the goods? What is our competitive position on warranties? Expediting special orders? Post-sale service? Repeat business? What kind of listening channels is the other company using? Is there a consumer affairs department in place?

Question: Do you make customer service objectives part of the performance appraisal system?

Answer: Four out of ten companies do; the rest don't.

Perhaps no corporate activity shows greater variety—or produces more confusion and dissatisfaction—than performance appraisal. The practices range from "Mary's doing a great job; let's give her an 8 percent raise" to "Mary averaged 3.5 on her five key objectives; work out a weighted average and see what it means for her increase."

Our researchers reasoned that if customer concerns had permeated company culture, these concerns would have found their way into the performance appraisal system. It would seem fairly easy to translate the tangibles of customer service into the measurables of performance appraisals. The number of on-time deliveries, the number of orders expedited, accuracy in billing, defect-free standards—these all provide positive measures. The number of complaints provide negative standards.

For persons who answer the phone, the standard might be getting the caller to the right party on the first try. For those who repair or service merchandise, it might be length of time to respond as well as quality of repair (did it stay fixed?). For product managers, it might be positive feedback from focus groups and 800 lines.

Saying how it might be done is easy—and perhaps all a bit academic. Few companies are doing it.

THE HIGH-GROWTH CORRELATION

The clearest correlation comes with the simplest of measures: tracking complaints and setting standards for resolving those complaints. The statistics here are very convincing: a much higher

incidence of such systems in companies experiencing high growth.

What about the other measures? Shouldn't strategy planning and competitive analysis be the driving factors, ensuring growth? Perhaps our management theory is a bit too grand for the size of our database. The correlations *didn't* emerge.

Or perhaps the world is much simpler than all that. The very fact that the company has a system and standards for dealing with comments and complaints seems to count the most. This is the "action level"—a customer calls; the company responds. True, strategy planning is important. But it's the action that counts.

From Jim Bandrowski

Creative Opportunities for Consumer Affairs

Injecting *creativity* into consumer affairs planning and operations can dramatically increase the department's contribution to a company, says Jim Bandrowski, author of *Creative Planning Throughout the Organization,* an AMA management briefing published in 1985. Mr. Bandrowski is president of Strategic Action Associates in Walnut Creek, California, a firm specializing in helping companies beat out the competition through innovative and creative corporate planning, departmental planning, and implementation assistance.

"Turn headaches into innovation," Bandrowski advises, dubbing this the "pet peeve" technique. He makes these points about customer complaints:

- Consumer complaints can be an asset to an organization. Firms should actively seek them out and tabulate them so that the most important ones emerge, and write them up with as much insight as can be mustered into the consumer's viewpoint. "Then," Bandrowski urges, "present them to at least four departments: marketing, R&D, operations, and business planning."
- Resolving the most important complaints, particularly those that pervade the entire industry, can lead to new product developments, new service developments, product quality improvements, and overall company strategic moves.

How can consumer affairs objectives be incorporated into a firm's strategic planning? The process should begin with the organization's *current* plan, says Bandrowski. For each major objective or strategy in that plan, the consumer affairs department should:

1. Hold a brainstorming session to develop ideas on what the department can do to help the entire organization achieve its objectives.
2. Find a forum where these ideas can be submitted to other departments—marketing, public relations, R&D, among others. *Communicate.*
3. Integrate the consumer affairs department's plan with other departmental plans so that there are interlocking objectives and strategies.

Utilizing the Public Relations Function

Of those other departments, according to Bandrowski, public relations is frequently the most underutilized source of marketing leverage—particularly in small to medium-sized firms, where no formal PR department exists. The benefits of public relations can be extremely cost effective, as *Fortune* magazine executive editor Allan Demaree pointed out in his December 8, 1986 "Editor's Desk." The cost of that space to advertisers—two-thirds of a page—would be $19,920 in black and white, and $30,480 in color; a well-executed public relations effort can obtain equivalent exposure for far less money. Moreover, according to research cited by Bandrowski, articles that appear in business journals have three to five times more credibility with readers than an ad placed by a company, and reprints of such articles are prime pieces in a portfolio distributed to prospective and current customers.

What can be said about a company? Start by brainstorming among top management. What qualities of the company are unique to the industry, or all industries? These might include a growth story, a success formula, or a corporate culture. From such discussions can emerge rough drafts of alternative potential press releases. The public relations officer can identify which stories are the most newsworthy, and customize the releases for the target magazines and newspapers—*INC.* or *Entrepreneur* for smaller firms, and *Fortune, Business Week,* or *Forbes* for larger companies.

Customer Information Opportunities

According to Bandrowski, a firm can communicate with customers through two kinds of company-sponsored publications. The first is a how-to book written by the president (or a senior officer) on a broad topic that would appeal to numerous consumers. Examples would include books by brokerage houses on investment strategies, by accounting firms on tax preparation, or, in industrial markets, books on semiconductor design, office planning, and the like. Bandrowski lists the benefits: the author and company gain visibility and become known as the experts in the industry. Moreover, royalty income can partially offset the expense of writing the book. Such income can range from $5,000 to $20,000 for a modestly successful book to more than $100,000 for one that hits a nerve.

The same concept can be utilized on a more specific basis. Shorter books are frequently used by marketers of consumer goods as an edge against the competition: for example, Ortho's books on landscaping, Singer's line on home sewing, and even an unorthodox work like AMA's own *Pinstripe Gourmet,* a cookbook designed for the working manager. The books can be distributed outside of bookstores: a company's distribution channels can place copies wherever its products are sold.

Time is probably the greatest barrier working against an author-executive, says Bandrowski, but professional help is available. A ghostwriter/editor can be hired for $10,000 to $20,000, dramatically reducing the demands on an executive's time.

5

Quality and Service: Part of the Customer Relationship

"WE INVITE you to rate your own company on how effectively it uses the tactics listed below . . ." This is the question as we put it to our respondents. A checklist followed, citing concerns that can form the lifeblood of a company's relationship with its customers.

- Unconditional warranty/refund policy
- Quality control & product assurance
- On-time delivery of product/service
- Post-sale repair and replacement services
- Ability to expedite special customer requests
- Special training for customer service personnel

Next, the question of longevity. "Which three tactics—in your judgment—are most effective in building a customer service program and assuring repeat business?"

Of course, both questions are best answered from the consumer's point of view. Subjective as our respondents' answers may be, they do provide insights into how their firms are attempting to position themselves in the marketplace—and how important such concerns can be.

The Findings. Make a quality product, or perform a quality service, and deliver it on time. These are the essentials, according to the majority of our respondents. And as important as these tenets of good business are, they are especially vital to manufacturers of consumer and industrial goods.

Performance tops promise as a priority. Unconditional warranties, which are essentially a promise of good performance, were cited as a "most effective" customer service tactic by just 26 percent of our respondents, but 60 percent listed quality control and product assurance among their "top three." Fully three-quarters of the consumer goods manufacturers marked quality control as "most effective," and they rated their performance at a 4.18—the highest rating scored by any group in any field. Among manufacturers of industrial goods, the percentage citing quality control was higher—68 percent—but the rating lower (3.89). Average rating for the rest of the sample: 3.99.

On-time delivery runs a close second. It was listed as "most effective" by 59 percent of the sample (and 63 percent of consumer goods manufacturers, who rated their companies at exactly 4.00).

After those two leaders, the falloff was dramatic. The ability to expedite special customer requests made it onto 40 percent of the "most effective" lists, and scored a 3.90 rating; the rest of the options trailed badly.

Comparatively few respondents rate post-sales service a key to customer relations. About a third put it on their "most effective" lists, and the average score—a 3.90—rates no better than a "B+."

Training in customer service is of utmost importance to those in our sample whose business is finance, insurance, and transportation. Respondents offering financial services gave a 4.14 score to customer service training, an unusually high mark.

Here are the numbers for each option, revealing how widespread its use, and how the respondents rate themselves in using each tactic:

UNCONDITIONAL WARRANTY/REFUND POLICY

It's not an effective tactic in building repeat business, say the respondents. There's a mixed message in the data. Some respondents are sounding the "performance is better than promise" theme. Many others are suggesting that their companies are not able to position their products or services on an unconditional warranty basis.

Used by:

65% of all respondents	Ave. rating: 3.86
63% of large companies	Ave. rating: 3.92
74% of mid-sized companies	Ave. rating: 3.76
59% of small companies	Ave. rating: 3.89

Listed *most effective* by:

26% of all respondents
23% of large companies
33% of mid-sized companies
21% of small companies

Naturally, manufacturers are more active in offering such warranties and refunds than service companies; 83 percent of the consumer goods manufacturers in the sample do so and give the practice an average rating of 3.96. But only 31 percent put warranties on their "most effective" lists. Makers of industrial goods are still less enchanted with the practice; just 22 percent place warranties and refunds on their "top three" lists.

Forty-two percent of the retailers in the sample list warranties and refunds (or replacements) as a "most effective" practice. Retailers often take the heat that by right ought to go to the makers of the goods. Some do so as a matter of course, no matter what the complaint. "It just didn't work right," said a customer who sought to return an electric blanket to a Sears refund counter. The merchandise was covered with a black, sticky substance; inquiries revealed that the customer was a roofer who'd used the blanket to keep his tar warm during the winter. But to Sears, "Money back if not satisfied" means exactly that; the customer got his refund.

QUALITY CONTROL AND PRODUCT ASSURANCE

American manufacturers resent their unfortunate reputation regarding quality control. Many have inaugurated intensive programs to deal with the issue. Here are their responses:

Used by:

89% of all respondents	Ave. rating: 4.00
88% of large companies	Ave. rating: 4.10
93% of mid-sized companies	Ave. rating: 4.00
86% of small companies	Ave. rating: 3.88

Listed *most effective* by:

60% of all respondents
53% of large companies
65% of mid-sized companies
63% of small companies

"Let's make it tough on them," said the midwestern purchasing agent, writing out the specifications for the company's first order from a Japanese subcontractor. "On the ball bearings, let's accept no more than three defectives in every ten thousand."

Tough it was, far more stringent than the rates allowed to American companies. And so it was with great excitement that the firm opened the Japanese shipment when it arrived. In each crate of ten thousand they found a letter:

> Dear Sirs:
>
> Enclosed please find the ball bearings you ordered.
>
> We do not know why you wished to receive three defective bearings with every ten thousand, but we have enclosed them, wrapped separately and identified with cross-hatchings so that you will not mistake them for good ones.
>
> Sincerely—

Apocryphal? Certainly. Revealing? Certainly. The Japanese emphasis on building quality into the product has been so thorough as to reverse what was at one time a cultural cliche. The "made in Japan" jokes that were staples of film comedy in the '40s fall on deaf ears today—like the expression "sound as a dollar."

The Corning Glass Works of Corning, New York, rates quality control and product assurance as its primary means of ensuring customer satisfaction. They've dubbed the effort the "Total Quality Management System," and their in-house promotion explains the title:

> "Total" because it allows no compromises.
> "Total" because it involves every facet of company operations.
> "Total" because it harnesses the passion for excellence of all 28,000 Corning employees, shop floor to executive office, giving Corning the bonus of increased employee satisfaction."

According to Corning's manager of corporate information, John H. Abrams, the quality assurance program operates on four "total quality principles." They are:

1. *Meet the customer's requirements.* First, understand and agree on the requirements, then meet them.
2. *Error-free work.* This defines the standard for meeting the requirements—the first time and every time. It does not mean that errors will not happen; it does mean an attitude that insists that errors are not acceptable.
3. *Manage by prevention.* Quality must be built into the work. It cannot be "inspected in," "improved in," or "repaired in." This means anticipating problems and making permanent changes to prevent errors. The more emphasis that is placed on preventing errors, the more often the customer's requirements will be met—the first time and every time.
4. *Measure by the cost of quality.* This measure is made up of three parts: error cost, detection cost, and prevention cost.

To expand on this last item: *error cost* includes the cost of doing work over. *Detection cost* is the cost of inspecting for errors. *Prevention cost* is the cost of building quality into the work. "Measuring by the cost of quality" focuses attention on problems, helps set priorities for error correction, and marks progress toward eliminating problems.

The payoff: honors as well as profits. In October 1986, the American Society for Quality Control named Corning's board chairman, James R. Houghton, chairman of 1987's National Quality Month. Said the Society's director of communications, "Our selection of Jamie Houghton to spearhead 1987's campaign is based on Corning's international reputation for quality . . ."

ON-TIME DELIVERY

Punctuality used to be an American virtue. On-time delivery in business is still highly valued, but it can't necessarily be counted on. Here's what our respondents said about this tactic:

Emphasized as important in the consumer relationship by:

87% of all respondents	Ave. rating: 3.88
87% of large companies	Ave. rating: 3.90
87% of mid-sized companies	Ave. rating: 3.93
86% of small companies	Ave. rating: 3.78

Listed *most effective* by:

59% of all respondents
52% of large companies
62% of mid-sized companies
65% of small companies

On-time delivery was chosen as "most effective" by 59 percent of our respondents, making its importance as a tactic second to quality assurance. Federal Express, a company millions have come to rely on for speedy delivery, deserves a headline in this regard. It should read:

NEITHER SLEET NOR RAIN NOR BARBED-WIRE FENCES
NOR A STOLEN CAR DAUNT THE HEROISM OF FEDEX COURIER

On Labor Day, September 1, 1986, the manager at Federal Express' Boston office, Kevin Dowd, received a telephone call from their trace department in Memphis. It was 9:21 p.m.

The call concerned a package due for delivery at Boston's Children's Hospital by Tuesday's Standard Air shipment. The package contained a supply of matched blood needed by a child scheduled for surgery on Tuesday morning. Should the blood fail to arrive, the surgery would have to be postponed, possibly putting the child in jeopardy.

The manager tried to reach the Boston station's emergency contact with his beeper. The beeper, however, was not functioning, and the contact could not be made.

Kevin then called the Boston general manager, Bill Sullivan, and courier Mark Azar, both of whom lived near the station. Sullivan and Azar arrived at the station at 9:45 p.m., only to find that their key would not open a new lock that had been installed on the gate. Their mission: pick up the package and deliver it to the hospital.

The Boston Federal Express station is surrounded by a 12-foot fence topped with barbed wire. The two decided to scale the fence. They succeeded, triggering the alarm system. They shut off the alarm and located the package within 20 minutes.

When the security guard arrived to investigate, Mark had to explain that his password to authorize entry was not valid on holidays. He described the situation to an incredulous security guard.

Next stop was the hospital's emergency room, where nobody knew anything about the urgent blood delivery. Sullivan and Azar scoured several floors before locating the blood bank at 10:40 p.m.

The personnel at the blood bank were concerned that the blood might have spoiled in the

THE GOLDEN FALCON AWARD

FedEx receives about 75 submissions for its Golden Falcon award each month, but only a select handful of individuals receive the award. According to the FedEx newsletter, "The Golden Falcon award is the highest honor FedEx bestows upon nonmanagement employees for service 'above and beyond their customary line of duty.'" The award includes a gold pin with the gold falcon emblem and ten shares of Federal Express stock.

warehouse, even though it was packed in dry ice. Fortunately, when tested, the blood was found to be healthy.

Their mission accomplished, Sullivan and Azar then returned to the station to pick up Azar's car, only to find it missing. They were certain it had been stolen. An observer of the incident was able to tell him that the car had been illegally parked and had been towed away. Azar had to shell out $45 to retrieve it.

The FedEx newsletter summed up this extraordinary accomplishment: "Bill and Mark gave of their time at the end of a busy holiday without hesitation . . . They could have given up at the gate, but they didn't. They knew the package was urgent and they were not going home until it was delivered into the right hands."

POST-SALE REPAIR AND REPLACEMENT SERVICE

A high-priority item with manufacturers: 81 percent of the consumer goods makers report its use, whereas only two-thirds of all others do so. Effectiveness ratings, however, remain constant at 3.90. Here are the overall scores:

Used by:

69% of all respondents	Ave. rating: 3.90
66% of large companies	Ave. rating: 4.00
73% of mid-sized companies	Ave. rating: 3.66
68% of small companies	Ave. rating: 4.06

Listed *most effective* by:

28% of all respondents
29% of large companies
24% of mid-sized companies
31% of small companies

Mention post-sale repair and replacement service and one thinks immediately of defective parts in mechanical or electrical devices. One does not think of a defective bar of chocolate. But Cadbury U.S.A. rates post-sale repair and replacement among its most effective tactics. "We bend over backwards to right the situation," said Eleanor Cristafano, Cadbury's manager of consumer affairs. "We value above all else our reputation with customers. When someone buys one of our products,

he or she expects it to be fresh and enjoyable. If they are disappointed, they become upset. And they write to us. "We do whatever we can to compensate, through complimentary coupons or some other means." Cadbury supports a claims office for dental and medical problems that arise if a consumer bites into a Cadbury bar and the bar bites back.

ABILITY TO EXPEDITE SPECIAL CUSTOMER REQUESTS

The similarities in the numbers below reveal this to be a widely acknowledged method of keeping the customer satisfied. There is likewise little difference in the scores from industry to industry. Here's what our respondents said:

Used by:

91% of all respondents	Ave. rating: 3.90
91% of large companies	Ave. rating: 3.89
93% of mid-sized companies	Ave. rating: 3.96
88% of small companies	Ave. rating: 3.89

Listed *most effective* by:

40% of all respondents
39% of large companies
44% of mid-sized companies
38% of small companies

Customers call with requests for either action or information. Firms must be prepared to react to either sort of request—or to both. Customer service departments back up sales and service departments as they report on available services or expedite the manufacture and delivery of goods.

The consumer affairs office at NutraSweet can respond to most questions about the product that arise in the normal course of business. More specialized requests for product information come in by phone or mail from doctors and nutritionists. These requests are handled by NutraSweet's dieticians, working from an extensive computerized database. "These requests come from consumers who are not our customers *per se*, but who are interested in our product's ingredients for whatever reason," said Barbara Fruchter, who supervises consumer affairs activities at NutraSweet's Skokie, Illinois, offices.

Similar calls come into the Camden, New Jersey, headquarters of the Campbell Soup Company. They, too, have created a large computer database to hold information used to respond to special requests. Product ingredients, nutritional value, flavors—these are the common run of a business day. Campbell attempts to respond "in a very timely fashion" and questions that can't be answered by a computer check are handled personally by staff members.

Piedmont Airlines' Deborah Thompson, director of customer relations, explains the backup role her office often takes. "Most of our requests for special arrangements are done through reser-

vations—before the fact," she says. "But the customer relations department has to take care of whatever special problems or situations arise after the fact. A customer may have had to use special ground transportation, for which he wants reimbursement. Someone may have had a problem with seating arrangements. Some may have had coffee spilled on their clothes, for which they want their cleaning bills paid.

"We research and evaluate each problem by checking the flight records and trying to reconstruct what happened. Once this is done, we decide on how to handle the matter in a manner most fair to all concerned."

SPECIAL TRAINING FOR CUSTOMER SERVICE PERSONNEL

Observe the figures below under the heading "listed most effective." The numbers have been bunched closely for all the other options; the widest spread was 13 percent. Here, though, we see a differentiation twice as great. Take a look at all the figures first and then at this anomaly:

Used by:

82% of all respondents	Ave. rating: 3.60
89% of large companies	Ave. rating: 3.71
79% of mid-sized companies	Ave. rating: 3.58
75% of small companies	Ave. rating: 3.48

Listed *most effective* by:

36% of all respondents
50% of large companies
25% of mid-sized companies
30% of small companies

Why is the spread so great? "Training" is the key word. Training expenditures consistently run higher in large organizations. The same pattern presented itself in the Section I returns on the tactic "employee training in consumer relations," which showed that the large firms were far more likely than smaller ones to carry on such training.

The difference between the two inquiries: in Section I we asked about training for *all* organizational employees; here we asked about training specifically for customer service personnel. And we found—no surprise—that there is more training in this latter area, and that it is more frequently listed as a "most effective" tactic.

The lion's share of inquiries to customer service personnel regard product information; various studies place the percentage of calls as high as 80 percent. Ensuring that the customer gets the right information, and that the same information is given consistently, means that these personnel need training. How much? At L.L. Bean the training goes on for three intensive weeks, with periodic monitoring of new personnel thereafter. At Procter & Gamble the course runs 40 hours a week for four to six weeks for each "clan" of new hires.

Many companies develop a standard "decision tree" format; if the customer asks "X," then clarify by asking "Y." Sound mechanical? It doesn't play that way if the service representative has been trained in telephone skills. "Smile *before* answering the phone," recommends AMA's own self-study course on improving customer service. "Listen carefully . . . take notes . . . get the caller's name and phone number before hitting the hold button . . . avoid transferring calls . . ." These and more are all common sense—but training teaches common sense.

Other areas for training: how to log in the complaints and questions so the reports are routed to proper individuals, how to write a clear and direct memo on a special problem, how to write the right letter to a customer—and, of course, how to handle an irate customer. This sort of training applies to all personnel, managers as well as teletalkers.

SUMMARY

To be widely quoted as an expert in a particular field is an honor to savor; to be widely misquoted—or to be credited with someone else's work—is no great pleasure. Somewhere along the way, someone invented a formula: "It costs ten times as much to develop a new customer as to keep an old one loyal." Quoted and requoted, it is often attributed to AMA research. This organization has never done such research, nor did it ever put forward this configuration. But Bogart never said "Play it again, Sam," or "Drop the gun, Louie," either. And AMA will forever be quoted—falsely—on the relative costs of gaining new customers and keeping old ones loyal.

There are simply too many variables for accurate measurement of such data. It is possible, however, to get some reading of the cost of keeping a customer loyal. The U.S. Office of Consumer Affairs has studied the matter from this perspective: how likely is it that *dissatisfied* customers will buy another product from a company that previously disappointed them?

It depends on how much money is at stake, the research indicated. If the merchandise cost $5.00 or less, *and if the subsequent complaint was resolved in a manner satisfactory to the customer,* 70 percent of the complainants will buy again from the same source. If the ticket is $100 or more, the proposition drops to 50-50. Still, repeat business from half the disgruntled is better than none.

For those so inclined, it's possible to calculate in rough fashion the profit contribution that stems from skilled resolution of complaints. Take the average profit per sale and multiply by the number of sales a regular customer will make in his lifetime; subtract from that figure the costs of replacing the unsatisfactory goods and of handling the complaint; multiply the result by .7 if it's a low-ticket item, or by .5 if it costs more than $100.

And then remember what numbers can't show: the positive word-of-mouth communication when the customer tells the story to friends and colleagues. And figure the potential loss to a company's entire product line if a single item fails, and the customer's complaint is not satisfactorily resolved.

If the math makes you dizzy, use the wrongly attributed "AMA formula" cited above. Everyone else does.

What matters to the current study is what the respondents know and the num[illegible]how: that getting

it right the first time is far more important to customer satisfaction (and repeat business) than making good on a product or service that doesn't live up to expectation or warranty. Remember that "quality control and product assurance" made it onto 60 percent of our "most effective" lists, and "on-time delivery" onto 59 percent of them, while only 26 percent of the sample included "unconditional warranties" among their most effective practices.

Satisfactory resolution of complaints can assure repeat business from 70 percent of your customers. No complaints at all can generate repeat business from everybody.

6

Sales Force Training

DEFINITION OF a superior salesman: a penetrating knowledge of the product, a genius for looking at product features and seeing consumer benefits. Sales is the center ring, the company's future in a briefcase, face to face with the buyer. Giving the wrong information can kill. Misunderstanding the customer's needs can wound. Here's what we asked our respondents about sales training:

- Do you have an ongoing training program for your sales force?
- How many *days* of training do new sales representatives receive upon joining the organization?
- On average, how many *hours* of training and instruction does your sales force receive annually in:
  - product service/information
  - selling tactics and motivation
  - interpersonal relations
  - consultative selling tactics and methods

The Findings: Cross tabulations of the data point unequivocally to the growth factor: companies that take special care of sales training show dramatically higher growth rates than those that do not. This is true of all types of training, and especially true of the training that falls into the category of "consultative selling." As for the thesis that "large firms do more training," the figures offer both positive and negative data. In many instances, small and mid-sized firms are as likely to offer

ongoing sales training as do the giants, and offer it in as much variety. But the larger firms require many more days of training for new sales representatives.

Because salesmanship is so critical, the care and feeding of the sales force requires special attention: a rich diet of training in product or service information, hefty portions of real-life simulations to fine-tune sales skills. True, there are super salesmen who have made it to the mountaintop without a single video conference on the new product line. Quite likely they weren't in industries where product features change regularly and rapidly.

ONGOING TRAINING

The results here are surprising. Only a two-thirds majority of our respondents have ongoing training programs for sales staff. Here are the data:

Performed by:

67% of all respondents
77% of large companies
64% of mid-sized companies
56% of small companies

One thinks immediately of the one-third that *don't* do such training. Combine that with the fact that many of the training programs do not include product-feature updates—even in the industrial manufacturing category, where product knowledge and "a dedicated and well-trained sales force" is a trump card—and it becomes obvious that many companies are either using printed product update sheets to keep salespeople informed, or are leaving it to the salespeople to assemble the knowledge on their own.

DAYS OF TRAINING FOR NEW SALES REPRESENTATIVES

An important investment, especially considering our finding that high-growth companies place strong emphasis on sales training. Here are the overall figures:

Performed by:

69.7% of all respondents	Ave. of 32 days
71% of large companies	Ave. of 41 days
71% of mid-sized companies	Ave. of 32 days
66% of small companies	Ave. of 20 days

A salesperson joining the "average" company in our sample would spend about 30 days in the classroom before entering the field. The modes—the most frequently reported numbers—are 20 and 24 working days, a calendar month. The average initial training is far higher in some industries, however; insurance sales personnel average 50 days of training. A close reading of the data suggests that companies with shorter *initial* training periods compensate with greater emphasis on *ongoing* training.

What sort of ongoing programs are offered, and how many hours per year do companies require? We asked about four different types of sales training.

ANNUAL HOURS OF PRODUCT/SERVICE TRAINING

This is where respondents put their emphasis in ongoing training. The figures:

Performed by:

60.3% of all respondents	Ave. of 42 hours
67.5% of large companies	Ave. of 37 hours
66.7% of mid-sized companies	Ave. of 55 hours
49.5% of small companies	Ave. of 32 hours

Manufacturers of industrial goods put their people through the most hours; no surprise in that, considering the onrush of technological change in these high-tech times. Hands-on experience, whether driving agricultural machinery or computing data on a laptop, is the best means of making the sales force familiar with state-of-the-art products.

SELLING TACTICS AND MOTIVATION

"It all comes down to a matter of attitude," says "excellence" guru Tom Peters. Athletes and salespeople know it best. Here's how training in tactics and motivation broke out:

Performed by:

56.2% of all respondents	Ave. of 27 hours
62.5% of large companies	Ave. of 30 hours
61.9% of mid-sized companies	Ave. of 26 hours
46.6% of small companies	Ave. of 26 hours

For an athlete, it's 100 percent attitude, plus thousands of hours of practice to hone an innate, God-given ability. For a salesperson, it's all attitude, along with factors like presentation skills and closing tactics. Training programs in these areas are also trading sessions among professionals—exchanging ideas, techniques, contacts.

The data show no significant variations by industry, nor (among the committed) by organizational size. Companies that offer such training spend the equivalent of three or four days a year on the practice.

INTERPERSONAL RELATIONS

Can it be taught? Here's the data reported by our respondents on how much time they devote to training in interpersonal skills:

Performed by:

43.5% of all respondents	Ave. of 18 hours
40.0% of large companies	Ave. of 12 hours
47.6% of mid-sized companies	Ave. of 27 hours
42.7% of small companies	Ave. of 13 hours

Body language . . . image . . . active listening . . . transactional analysis. These are the "warm fuzzies" of the management training arena. Correctly employed, these skills can help strike the right chemistry with a buyer, say the advocates. To the old school, it's a feeling that can't be taught; to the new tyros, it's a matter of power ties, verticle hand gestures, and striking the correct pose.

The teachers don't deny that there are "naturals" out in the field to whom it all comes easily. Their reasoning is that most of us aren't naturals, and can put such instruction to good use. No, they don't want all the world in navy blue pinstripes, but one-to-one, "banker" suits may yield an edge—and isn't that what a salesman wants?

CONSULTATIVE SELLING TACTICS

The partnership approach: Who does it, and does it work? Here's the response:

Performed by:

40.1% of all respondents	Ave. of 32 hours
46.3% of large companies	Ave. of 19 hours
38.1% of mid-sized companies	Ave. of 52 hours
36.9% of small companies	Ave. of 26 hours

Perhaps good salespeople have always been "customer consultants." According to a familiar phrase in the salesman's litany, customers aren't buying products or services; they're after solutions or opportunities.

In the industrial manufacturing area, consultative selling changes the entire buyer-seller relationship, creating a new vocabulary en route. Buyer and seller become "partners" for growth. "Selling" is a discussion of how the buyer's profit can be improved, and "specifications" come to mean the timing and delivery of the profit. Gone is the adversarial relationship. In its place stands a long-term contract with growth objectives and, quite likely, agreements to share a research database.

Sound idealistic? Not for the companies that have made it work (See Mack Hanan's *Growth Partnering* and *Consultative Selling* in the bibliography.)

Overall, about 40 percent of the respondents say they do some type of training in consultative selling. But this figure should be taken with the understanding that the term covers a range of tactics and might not have the same meaning for all respondents. The average hours: about 30, if it's included in the program.

Insurance and professional services are clearly putting emphasis on this kind of training—far more so than other industries. But shouldn't the greatest emphasis be in industrial manufacturing—the place for the greatest payoff potential? No. Within the industrial manufacturing category, some 16 of our 47 respondents have trained their salespeople in consultative selling—and a handful have experienced phenomenal growth (in excess of 20 percent per year, on average). These respondents are, however, in the lower ranges of the midsize category, and thus have greater growth potential. Many of the larger companies putting an emphasis on consultation actually fall into the sluggish growth category (less than 3 percent per year). Again, the computer says "some do, some don't."

But: merge all industrial categories together, and the evidence clearly tips toward the consultation-growth relationship. Those respondents that do such selling are experiencing a 14 percent annual increase in revenues. And the more hours of training, the greater the chances of success.

SUMMARY

Sales training has obvious implications for the primary focus of this report—the ability to stay close to the customer, to anticipate consumer needs, to respond to product failures and shortcomings. Perhaps the overarching lesson that needs teaching is the difference between the salesman and the street hustler. The hawker looks only to this moment, this sale, this exchange of goods for cash; his ethic is to take the money and run, trusting that God must love the gullible because He made so many of them. Sales training must get across the message that the vital transaction is not *this* sale, but the *next* one—that the ultimate prize is not the buyer's money, but his trust.

These are the lessons taught in programs emphasizing motivation and sales tactics, interpersonal skills, and consultative selling. The data shows that companies that embrace these programs do so wholeheartedly. That is the message one receives from a study of the hours dedicated to such training. Translated into working days, the figures indicate an average of three day's training in selling tactics, almost as much in interpersonal relations, a full week in consultative selling. Most of this training is delivered in classroom fashion, with obvious implications for travel and hotel expenses for the sales staff undergoing the instruction. Once again, companies with impressive growth rates are showing that slogans are not enough: that keeping close to the customer has its costs. The leaders in the field consider the money well spent.

7

The Real Secret

THE ONGOING theme was "stay in touch." How? "Personal contact on a regular basis," wrote one respondent; "Find out how we're doing by visiting or phoning," said another; "Follow up personally to assess satisfaction," advised a third. Especially crucial: call-backs after complaints. Some salespeople travel great distances to rectify problems personally. Here's the question we asked:

- Beyond numbers and phrases lies "the real secret"—the ways and means you've found most effective in maintaining close ties with your consumers and customers. Please tell us about these, especially if they include techniques not covered in this questionnaire.

The Findings. How close is close? For many respondents, "close" means contact before, during, and after any sale. A vice president of a company offering drilling services to the oil and gas industry replied, "Our sales force visits the purchaser before every job begins. The sales engineer reviews the data and interprets it for the client's chief engineer. The sales engineer then gets back to the home office and makes recommendations on the basis of these interpretations."

THE CUSTOMER IN THE DRIVER'S SEAT

"What do people want that we can profitably make?" Asking that question is the mark of the market-driven, customer-oriented company. In contrast, the production-oriented company makes the product and then tells its sales force, "Go out and sell it."

One owner keeps his finger on the market's pulse by "walking around the neighborhood near the store and talking to customers." Another stressed that "the owners of this (closely held) company

are always accessible to our customers, either by phone or in person." And the president of a large health and beauty aid manufacturer sums up its customer-driven orientation in this way: "As a direct result of our communications with customers, we have stayed with products we might have discontinued and extended the line of existing products. Our marketing group is now reviewing consumer affairs reports on products that were discontinued. Because of increasing consumer demand, we are considering a reintroduction of some of these products later this year."

There are customers, and there are consumers; sometimes the groups meld, and sometimes not. To give a most obvious example: The Stanley Corporation sells its screwdrivers directly to a hardware store—Stanley's customer—which in turn sells them to a do-it-yourself hobbiest—the consumer. While an 800 line or a consumer affairs department may field communications with consumers, a company's most critical link with customers, say our respondents, is its sales force. Time and again respondents emphasized the importance of their salespeople maintaining rapport with customers.

One company, which deals in a very specialized product—sanctuary seating—relies on its sales force to walk the customer through every stage of the sales process up to the installation of the benches, and then follows up to ascertain customer satisfaction. "Our product is a custom built item and sold only to churches or end users of bench-type seating," said their sales director. "Therefore, we have found our best marketing method is to use well-trained sales people on a direct contact basis. These creative people take the customer through from original contact to final installation of their furnishings."

REACHING OUT

Companies located in towns or small cities see community involvement of their people, especially management, as a key in reading consumer attitudes and building a reputation. A company selling residential mortgages expects every member of its management staff to be visible within the community and attend community functions. AT&T has a long history of community involvement. "In addition to helping improve the quality of life in communities where employees live and work, active and retired employees are encouraged to assist customers with service and equipment problems and questions," says our respondent. "At AT&T we believe face-to-face, two-way communication is the ideal situation, and having employees involved presents opportunities for it." Consumer panels and advisory boards serve the same purpose.

On a broader scale, trade shows keep consumer affairs representatives and top management aware of industry trends and developments among competitors. One company holds its own trade show once a year for customers. Its manufacturers set up booths and provide manpower to work them. Seminars are held throughout the day, and are followed by cocktails and dinner at no charge to the customers. Another organization participates in a national consumer advisory council: "Their views, ideas, and suggestions have led to the establishment of a customer satisfaction review board."

WORKING FROM WITHIN

To instill in employees a sense of the customer as their No. 1 priority is the most crucial *internal* element for keeping close to the customer. How do the best companies build a customer-oriented culture? It seems to boil down to a combination of "cooperation, communication and commitment."

Close to the Customer

Cooperation and teamwork, with all employees, top to bottom, sharing the same priority—the customer as king—creates a customer-driven culture. This responsibility has an impact on every employee. One company has instituted an employee awareness program in "not passing the buck," but rather helping the customer get what he or she wants then and there. Another respondent suggests: "Develop a customer-oriented culture through 'total service' projects," and gives these examples:

- Monthly posters emphasizing the importance of the customer;
- Quarterly awards by marketing to production personnel who provide outstanding service to customers;
- Leading by example from top management down;
- Realizing that if you believe your service is just acceptable, you are not improving.

A supermarket owner writes: "Our 'up front' employees are the real link to having return customers. If the checkers and baggers are not friendly and courteous and interested in the customer, the customer won't return to the store."

Good internal communication means access to top management, "right into the executive committee or CEO," as well as to front-line supervisors who can correct a customer's problem. As one respondent put it: "Good staff relationships, a sense of humor, and knowing what is going on in sales, marketing, and R&D." Another said, "The field sales force—reps, distributors, etc.—have direct access to the vice president for sales and marketing and/or the national marketing manager." A CEO stresses personal relationships with key sales people and all members of the management team.

Customer values must drive the way a company conducts its daily business. Some respondents' "secrets":

- "Each manager (all departments) calls one customer per month to ask 'How are we doing?'"
- "Work objectives of all executives and middle managers require a fixed number of customer visits per year."
- "All job descriptions in future will have customer relations duties; all measures of performance will have 'management by objective' standards directed at improving customer relations. Marketing personnel are encouraged to call up and or visit customers at any time and question the customer as to how we're doing."
- "We have a 'verbatim' newsletter strictly for in-hosue use. Tremendous! Write-in comments and questions drawn from our customers are responded to by the appropriate department. But most important, all of the comments, questions, and responses are printed up on a weekly basis and are then circulated throughout the company, so that everyone is aware of what our customers are saying."

HONDA'S WHEELER DEALER

Way back when, the local service station not only filled your tank with gas, but also provided maintenance and repair services and cheerful, friendly advice folks needed to keep the car purring along. Today such places are few and far between—although rumor has it that at the height of the recent "oil glut" some stations in outlying areas had resumed the ancient and honorable practice of cleaning the windshield.

The service station may never regain its former role as an informal community center for neighborhood engine jockeys, but in its stead a new concept has been born at auto showrooms—the dealer-sponsored auto club. The Mahwah Honda Auto Club, on New Jersey's northern border, has a six-year history of success in promoting customer loyalty to the product—so much so that one member says she "wouldn't dream of going anywhere else" when it comes time to purchase her next auto.

Clarence Fincher had seen such clubs in operation in his years in auto sales, and when he opened his own dealership in Mahwah in June 1981 he incorporated the idea into his promotional plans. Since that time more than 3,000 Honda owners who have bought new or used cars from Fincher have brushed fenders with the club. Monthly meetings are held at the showroom—a social occasion as well as an educational one, as sales and engineering staffers discuss late options and improvements in Honda design. After the meeting adjourns, there is a technical demonstration in the bays, highlighting mechanical procedures which members may find helpful in making minor adjustments on their cars. The bays and the washracks are then opened to those members who want to tinker with their cars, share their expertise with others, or simply polish and clean them.

The Parts Co-op

The "Parts Co-op" is a unique operation developed for the members by Steve Chin, who has served as club president or vice president for most of its history. The club purchases specific parts on a monthly basis, at cost, and offers the savings to the membership. Besides such special savings, the Fincher dealership offers a standing 10 percent discount on parts and service to members—boosted to 20 percent on meeting days. There are other meeting day specials, topped by an offer of a loaner car while a member's "wheels" are in repair.

The club holds a number of social events throughout the year, parties where members and dealer staff can get together in an informal setting. There are annual Christmas parties and summer picnics, paid for with membership fees ($10 annually). And more: boat rides, luncheons, and trips to gaming capitol Atlantic City. One local newspaper termed the operation "a social club on wheels."

The club is a non-profit organization, and all of its officers are volunteers. On the first Saturday of every month, the club recruits volunteers to help mail a newsletter. For their support, these volunteers have the use of the bays and washracks. There's a 24-hour message service for club officers, which lists upcoming events.

Mr. Chin feels that the club is successful, and that its members really appreciate its services. He relates a story about a former member who, after selling the Honda he had purchased from Mr. Fincher, decided to purchase his new car from another dealer. The former club member regrets the move: the cash savings, he said, didn't make up for the loss of the club. Through the auto club, Mahwah Honda gives its customers a little more for their money.

GOING THE EXTRA MILE

Offering special services to key customers can build a reputation in an industry or, locally, in the community. A manufacturer of 35mm cameras has developed a unique relationship with its customer base. Its secret: "Special services to professional photographers, such as equipment loans and expedited repairs. These consumers account for a tremendous amount of word of mouth publicity, and become "mentors" for other photographers.

Rewarding customers who make legitimate complaints can "re-sell" the unhappy consumer. A large paper products company operates on the principle that "Every unhappy customer we make happy provides additional sales." Other rewards offered by our respondents include generous gift packs of products, free movie passes, and customer "award" trips. (Some consumers have caught on: complaining leads to gift goodies. Consumer affairs departments monitor names and addresses to assure that the line is drawn between legitimate complainants and freeloaders.)

Some companies run large-scale consumer programs. An appliance manufacturer has developed an "Appliance Information Service" as an extension of its other consumer programs. The service develops generic appliance educational materials to answer current questions and interests. It provides free Braille, large type, and audio modifications for visually or hearing impaired owners of its products. It develops safety materials for "latch-key kids"—young children of working parents who return from school to an empty house or apartment—and produces educational materials in Spanish.

SUMMARY

We discovered an irony: the "real secrets" aren't secrets at all. They are as open as a salesman's handshake or a service rep's telephone call. Techniques vary from firm to firm, but all respondent comments reflect a commitment to customer values. Market-driven companies don't argue with the facts or try to persuade a customer that the buyer is wrong and the seller is right. They listen and respond; they hold hands; they seek out customer comments and take them to heart. And they do not consider doing so a burden or an avoidable expense. They remember how it feels to be a customer.

8

The Goodyear Tire & Rubber Company

"FOR MOST people, taking the family car in for repairs is akin to going to the dentist," states Dave Russ, public relations manager for the tire division of The Goodyear Tire & Rubber Company. "We're working hard to change that image."

Obviously, Goodyear is making progress. Of the seven tire manufacturers responding to our questionnaire, all rated Goodyear at or close to the top in identifying consumer needs. Check marks and numbers on a questionnaire, however, can't tell the whole story. Thus we asked various individuals at Goodyear to fill in the background.

Before focusing on Goodyear, we note that there's a clear consensus among all seven respondents about what counts most in a tire maker's relationship with its customers: training—lots of it—first for customer service personnel, then for salespersons and technicians/mechanics. "We have hands-on training for all our consumer affairs personnel in all modes of product failure," noted one of the seven. "Everyone on our staff can answer even the most difficult questions." Another respondent (not Goodyear) imposes a 90-day training course for all new salespersons.

Goodyear's reputation among its competitors as a leader in consumer affairs came as no surprise to James A. Bailey, executive vice president, North American tire operations. "To maintain our number one position in the industry, we have to keep the customer satisfied. It's that simple. And to

do that, we've got to produce the best products, provide the best service and advice, and be there when there's a problem or perceived problem."

To an outsider looking in, however, the Goodyear structure for achieving this objective is far from simple. At first glance, the array of functions and initiatives is confusing. A closer look reveals a blend of consumer education, customer service, and training that cuts across various functions. A special research department backs up the consumer affairs department with objective surveys on how various centers are performing. A team of trouble shooters works nationwide as internal consultants to teach dealers how to handle problems. The public relations area translates company research into how-to advice that achieves widespread pickup in magazines and newspapers.

Here, then, is a sketch of how the various functions work.

1. Consumer Relations/Customer Assistance Center. Like other tire makers, Goodyear has its 800 number and the staff responds to individual inquiries. Typical of the other consumer affairs functions (see Chapter 3), success is judged in terms of getting the right answers to the callers as quickly as possible. Yes, the staff does prepare regular reports for circulation within the company.

2. Research Interviewing Center. The staff conducts thousands of telephone interviews each week, drawing from a systematic sample of consumers soon after their purchase of products or automotive repair services in the company's 1,200 retail stores. The number of interviews is sufficiently large so that each store can be measured reliably on the relative satisfaction of its customers.

What happens to the information obtained in the survey? Several things. First, the employees of those stores whose customer satisfaction ratings surpass the objective are recognized and rewarded. Second, stores whose ratings are below standard receive appropriate attention and help to improve their customers' satisfaction. Also, those dissatisfied customers who are identified through the survey process are asked if they would like to be contacted by the store or district manager to address unresolved complaints or problems. Results have shown the majority of these persons can be won back as repeat buyers.

The Research Interviewing Center, under the auspices of the corporate marketing research division, conducts other types of surveys that also are concerned with customer satisfaction. For example, buyers of particular tire lines (all season, like performance, etc.) are surveyed up to two years after the purchase to determine their experiences, attitudes, and satisfaction. These results are reported back to managers in marketing, production, product development, and other interested areas for appropriate action.

3. Product Service Representatives. This is an example of one way in which Goodyear does, indeed, help its outlets maintain service standards. These individuals are expert "internal consultants" on tire performance, warranties, and price adjustments. Their job: to teach dealer personnel to administer warranties and to solve consumer problems. In addition, their services are available to large customers – the fleet owner, for example, with a long-term contract.

4. Special Ride Training. This practice serves to teach Goodyear employees to correctly diagnose ride problems in cars and light trucks. Again, the service extends to fleet owners. Also related to diagnosis is a simple question-and-answer card to help a consumer provide diagnostic information.

The objective: to avoid the situation in which a customer says "I think I need a tire wheel alignment"—and gets it (along with a bill) whether he needs it or not.

5. Certified Auto Service Program. Goodyear maintains 17 fully equipped and staffed automotive service training facilities across the country. Under the program, the highest standards in automotive service must be maintained, and mechanics who do the actual work must undergo ongoing training. Since the beginning of 1987, Goodyear has made certification in at least one of the areas offered by the National Institute of Automotive Excellence a condition of employment. Each company outlet is required to sign the Certified Auto Service Agreement. Participating dealers can sign as well but are not required to under the franchise agreement. Says Dave Russ, "I suspect that some time in the future abiding by the Certified Auto Service Agreement will be required."

The program has a nationwide warranty. As mentioned earlier, auto service has a bad reputation in the consumer's mind. Many people feel they've been "taken" in past dealings. The service agreement, by its terms, requires an outlet to maintain standards that ensure quality. For example, it must have a computerized engine analyzer and a computerized wheel alignment system. There are housekeeping standards and professional standards for training personnel. In addition to an initial mandatory training period, mechanics receive ongoing training.

6. Public Relations Department. The company provides a significant amount of consumer tire and auto service information to news media outlets that in turn present this information to their audiences. For example, public relations prepares little pieces that run in local newspapers and pick up Goodyear's name—hints on tire inflation, on the need for alignment, tire rotation, and so on. The department also handles numerous inquiries that come in over the transom.

Making It All Work. A skim through the box below with an eye for the number of "yes" responses reveals Goodyear's maturity in integrating information and planning for customer service. Yes, the company tracks how long it takes to respond to a complaint. Yes, the company keeps an eye on how the competition is doing in the consumer affairs area. Yes, consumer affairs objectives are part of the strategic plan. Yes, their performance appraisals—and raises—include a look at the employee's performance in the consumer affairs area. The synergism of these varied programs, combined with a companywide awareness, creates Goodyear's reputation for keeping its customers satisfied.

Goodyear's fifteen-page consumer education booklet offers money saving tips on tire inflation, wheel balancing, vehicle alignment, tire rotation, and driving habits.

GOODYEAR'S RESPONSES: A COMPARISON

	Use This Tactic		Respondents' Effectiveness Rating	
	Goodyear	Others	Goodyear	Others
800 numbers for comments/questions	Yes	4 Yes 2 No	3.0	4.5
Comment cards	Yes	6 No	3.0	—
Mail/phone questionnaires	Yes	4 Yes 2 No	4.0	4.0
Point-of-purchase surveys	Yes	1 Yes 5 No	3.0	1.0
Focus groups	No	2 Yes 4 No	4.5	NA
Consumer education	Yes	6 Yes	4.0	2.0
Employee training in consumer relations	Yes	4 Yes 2 No	4.0	3.6
Regular companywide training	Yes	1 Yes 5 No	4.0	3.0

Is there a consumer affairs department in place?

Goodyear—Yes Other respondents 4 Yes, 2 No

Do you have an ongoing training program for your sales force?

Goodyear—Yes Other respondents 5 Yes, 1 No

How many days of training do sales representatives receive upon joining the organization?

Goodyear—10 Other respondents: varies from 90 days to 3 days

How many hours of training/instruction in product information do new members of your sales force receive each year?

Goodyear—40 Other respondents 36 average

Do you keep regular counts of consumer comments/complaints?

Goodyear—Yes Other respondents 5 Yes
1 No

Do you issue regular reports on consumer comments/complaints?

Goodyear—Yes Other respondents 4 Yes
2 No

Do you track how long it takes to respond to a complaint?

Goodyear—Yes Other respondents 6 Yes

Do you include your competition's effectiveness in consumer affairs in your competitive analysis activities?

Goodyear—Yes Other respondents 2 Yes
4 No

Are consumer affairs objectives part of your strategic plan?

Goodyear—Yes Other respondents 2 Yes
4 No

Are consumer affairs objectives part of your performance appraisal and compensation systems?

Goodyear—Yes Other respondents 2 Yes
4 No

9

Procter & Gamble

From SOAP to brownies to hair permanents or paper towels, there's one consumer goods manufacturer that dominates the lists of those who do it all and do it well. Procter & Gamble's name appeared on three times as many "best in the field" lists as any competitor—and the competitors themselves put P&G's name there.

Obviously they feel they've a lot to learn from one of America's oldest and largest consumer goods marketers. Take, for example, the story of how Ivory Soap first began to float. Back in 1879, a P&G workman left for lunch, leaving his soap-churning machinery in motion. When he returned, he found a frothy concoction full of air bubbles. Instead of discarding and replacing the mixture, he followed his usual pattern and poured it into the frames for hardening and cutting.

Weeks later, letters began pouring in to P&G, asking questions about the "soap that floats." Confusion ran rampant: "What are they talking about? 'Floating soap?' " Soon they traced the mistake back to the workman who forgot to shut down his machine at lunch—and what was initially a mistake turned out to be one of P&G's foremost innovations.

This story highlights two points that are critical to the success of P&G's consumer services department. The department goes back to the source when there's an inconsistency in product description, and it incorporates suggestions made by consumers that will improve their products and services.

All this goes back to the founding of the company in 1837 by William Procter and James Gamble. In those days, communication was based on a handshake and a "how'd-you-do." They listened carefully to what consumers had to say about their products, and answered every specific question candidly and completely.

Over the years, as Procter & Gamble grew to gigantic size, it has sought to maintain the same basic principles of business that its founders followed more than a century ago.

To get a real sense of what P&G is doing today, we spoke with Dorothy Puccini, associate director of consumer services at P&G's Cincinnati headquarters.

Question: What is the history surrounding P&G's consumer services division?

The consumer services division dates back to the early 1940s — so it's not like we are new to this. We've been around a long time. We are part of the public affairs division, and our job is to assist consumers, by telephone or mail, concerning their use of our products.

Until the 1970s the department's function centered on responding to letters received from consumers. In the early 70s we began testing the concept of telephoning select consumers who had written complaint letters. This was to see if we could do a better job in answering their questions by speaking to them over the phone — *and it turned out that we could!* By asking more specific questions, we could get to the root of the problem and ultimately be of more help.

Although this brought us closer to our consumers, it had two major disadvantages — first was finding the telephone number; second was reaching the consumer at home. So it was a logical step — albeit a big one — to create a system where the consumer could call us. In February of 1974, we began testing the concept, and put our first 800 line number on one of our products — Duncan Hines Brownie Mix. With the tag line "If you have a question or problem call us at this toll-free number."

Question: Can you describe, in full detail, the testing processes that took place in creating your famous 800 numbers?

The testing process ran for five years, and expanded from the initial product, Duncan Hines Brownie Mix, to approximately 12 different products among our seven divisions (food, paper, beauty care, health & personal care, beverage, bar soap & household cleaning, package soap and detergent). For management purposes we were looking for results on questions such as "What kinds of calls would we get?" and "How many additional contacts would we receive?" We were also interested in learning how the consumer would respond to the service, as well as how responses varied among the divisions.

For the most part the findings were positive — the consumers expressed appreciation for the easier access, and there was a significant increase in the number of contacts. During these years we thoroughly tested the concept, measured the results, and put together projections of what we might expect if the 800 lines were on all of our products (the projection related to the mode of operation

and the number of people needed to properly run it). In early 1979 we put forward a proposal to management, giving them the estimates of the cost of adding 800 numbers to all of our consumer products, with our recommendation to do it—and we received the agreement to move ahead with the 800 line service.

Question: How was the rollout process implemented?

The rollout was implemented gradually and took approximately two years before it was completed. We decided on a gradual rollout for two reasons. First, by adding 800 line numbers only when other changes in packaging were scheduled we cut down on production costs. Second, it enabled us to gradually increase and train new consumer service representatives, in response to the introduction of more products into the system. Prior to the phone lines being installed, we had approximately 160,000 contacts per year (letters only), and with the addition of the 800 numbers, we were projecting the number of contacts to increase to 500,000 (letters as well as calls). This meant that we would pretty much have to double our staff once all 800 numbers were in place. Meaning an increase from 50 to 100 consumer service employees—who would be needed to answer phone calls, reply to letters, and administer the clerical work.

By the end of the rollout, we found that we were indeed at 500,000 contacts per year, with a split equaling 300,000 phone contacts and 200,000 letters, but found that we had become more efficient than expected, and no longer required the initially projected 100 representatives. During the initial testing the operators averaged six calls per hour. What we found, as our operators became more experienced with the process, was that they can now handle, on the average, 15 calls per hour.

Question: What changes were made in the consumer services organization?

With the expansion in our workforce, we implemented a significant reorganization of the entire department. The department transferred into a different building within the downtown complex in Cincinnati, whose environment was more conducive to telephone operations. Office equipment was also upgraded to handle the new system, which included a computerized phone answering system.

Since 1982 the contacts have continued to grow—in response to the addition of new products, new divisions, as well as acquisitions. Currently, we are up to a million contacts a year and employ 150 people.

The consumer service phone lines are open from 9:30 a.m. to 7:30 p.m. (EST), providing extended service to our West Coast consumers. Although the phones are only staffed during these hours, we use a recorded message during nonworking hours, advising consumers of our service hours in addition to providing an emergency phone number for first aid assistance.

Not all of our consumer service representatives are full-time employees. We have found that 18 hour work weeks for phone operators enable them to provide the best service to our consumers. Our part time employees are mostly college students and homemakers, who are looking for part time work to either make extra money, or to fill extra time. We found that the flexibility of our schedule meets the needs of both the business and those of the individual employees.

Procter & Gamble

Question: What types of calls come into your toll-free lines?

The message on our packages is "If you have a question or a problem, please call us at our toll-free number"—on the whole, we receive more calls requesting information—approximately two-thirds are questions on how to use the product, such as recipe requests, or how to give a home perm, or how to remove a particular stain. The other third are calls about problems that the consumers have had with the product—now they need guidance and help to get the good results that they have every right to expect.

The most frequently asked question concerns the recipe for microwaving our Duncan Hines Brownies. Our food division operators have on hand instructions that they can read over the phone to help assist consumers who are in the process of baking the product. They can also send the recipe out to the consumer for use at a later date. It is, as always, the customer's choice.

Question: But what is it that makes your services unique?

To provide the optimum service to our consumers, each 800 line number is staffed with representatives who are experts in a particular product line. So, if you pick up one of our food products in your local grocery store (Duncan Hines Mix, Jif Peanut Butter, or Puritan Oil) you will find the same 800 number—and will be assisted by a representative who has been specially trained in food division products. The same holds true for our paper goods division, our soap and detergent division, and so on.

We also provide bulletins and recipes to consumers who have contacted us. The material provides information on the most frequently asked questions—it's another way we have of keeping up with our consumers and providing them with ways to get the most value from our products.

Question: What kind of training do you supply for new consumer service representatives?

Each new consumer service representative receives four to six weeks of classroom training (with variations among product areas). The classes are full day sessions, five days a week, providing a reference manual, in addition to hands-on computer training, and our own telephone style training, which we created from our own experiences. All of our training sessions are conducted by experienced phone agents who understand the products and are the most qualified to assist new hires.

Each new hire is trained in one specific division, with each product reviewed in detail. The product information provided follows an established agenda: what the product is designed for, what its features are, what it will do, what it won't do. Then, we provide examples of the various questions consumers might ask about it and the basic answers to those questions. The new representatives are taken into the area where the products are manufactured—just one additional step in understanding the products. In addition, representatives receive continual updates—our product lines are always changing and improving, and they need to be kept abreast of these changes in order to better serve our consumers.

Question: What are your objectives?

The consumer service division has two key objectives. The first is to help the consumer who writes or calls us, with a question or a problem, to get the good results they deserve.

Our second objective is to share the information we receive with the appropriate people in the product divisions. If we just respond to the calls and don't attempt to make changes when necessary to eliminate the problem, we are only doing half a job. Sharing the information we receive from our consumers is one way of showing that we are listening to our consumers and responding to their needs.

Question: How is the information shared throughout the organization?

To do this we have set up a computerized monthly report, whereby we list all of the calls and letters received, with the appropriate information. These reports are then made available to top-level management as well as to our technical, promotional, and divisional management teams. It is one way we have of keeping company management aware of what consumers are saying.

10

Benetton

TIME Is of the Essence

The business of fashion has always been a guessing game. Years ahead, the designers attempt to divine the styles that will catch the public fancy. Months in advance, retail buyers make their choices from among the designers' offerings. The reward for guessing right is fame and fortune; for guessing wrong, the bargain basement and the half-price sale.

To cut that gap between manufacture and sale, and to respond immediately to consumer preferences, would be to revolutionize the ready-made apparel industry.

The revolution's name is Benetton.

The Benetton Group SpA — whose stores seem to sprout from the ground and bloom in primary colors — has devised a method of spotting consumer tastes and gearing its production to satisfy those tastes within weeks, or even days. Soon after the first reorder of a particular design or shade of sweater, shirt, or slacks, the parent company can supply its retailers with the goods most popular in that locale.

It's a process that Dr. Alan Zakon and Richard W. Winger, writing in the April 1987 *Management Review*, call the "consumer draw" — four key principles to meeting market demand. They are:

- *Consumer concept:* Build a business not around individual products, but around timeless consumer values—especially quality.
- *Systems link:* Orient the business system so it is consistent with these values.
- *Information link:* Enable the system to operate as quickly as possible in response to real-time consumer demands.
- *Retail link:* Closely manage the retail presentation.

IN THE BEGINNING. . .

Of course, Benetton began not with theory but with 18 sweaters designed by Guiliana Benetton, the marketing talents of her brother Luciano, and 30 thousand Italian lira—the equivalent, at the time, of some 55 U.S. dollars. Luciano used the occasion of the 1960 Rome Olympics to make his first retail agreements. Then as now, there were two rules: specialty stores only—no monster department stores with competing lines on every rack—and 10 percent discounts to retailers who paid cash on delivery of the product.

Five years later, now with younger brothers Gilberto and Carlo in tow as, respectively, financial strategist and production manager, the company was formally christened *Maglifico di Ponzano*

Veneto dei Fratelli Benetton and headquartered in Treviso, the family home just outside Venice. The same year marked the opening of the firm's first factory, in the neighboring town of Ponzano. Inventing new techniques to soften raw wool, adapting outmoded machinery to new uses, the Benettons aimed at the middle market and emphasized quality.

By 1968 the first Benetton retail shop had opened, in the mountain village of Belluna, outside Venice. Designed by the Scarpa brothers, it was a prototype for all Benetton shops to follow: a stark white-and-green-only motif, to allow the vibrant colors of the products to be the central focus for the customer's eye.

A year later, with the opening of a Paris store, Benetton began its export operation. Slowly at first, but with growing momentum, exports increased; by 1977 there were Benetton addresses in all of Western Europe; by 1979 in the United States, Canada, Japan, and Latin America; by 1985 in Yugoslavia, Bulgaria, Hungary, and Czechoslovakia. Exports as a percentage of sales leaped from 2 percent to 60 percent.

By 1985, Guiliana's 18 designs had grown into 400 different styles executed in 500 different colors and combinations of colors annually. The possible permutations reached into the millions. It was necessary to devise a system to rationalize manufacture and react to public taste. Necessity proved mother to invention: the theoretical "consumer draw" put to work.

THE CONSUMER CONCEPT

From the company's inception, Benetton had a firm idea of its product and its market. Luciano explained the concept to *The New Yorker* in 1986: "The idea behind Benetton. . .is basically that of mass-produced, medium-priced fashion that moves with the trends yet maintains something classic." The style is casual, the colors and patterns bold. Quality counts. The appeal is to fashion-conscious young adults; the primary purchasers of Benetton clothing are females between the ages of 13 and 30.

Branching out from that base, the firm markets children's designs through its Benetton 012 stores, upscale sportswear via Sisley stores, and footwear with the Di Varese label. Coming soon: an American mail-order catalog, a line of men's stores called Benetton Uomo, and Benetton Cosmetics, scheduled for launch in August 1987.

THE SYSTEMS LINK

In the early 1970s, Benetton began to put aside a certain amount of its assembled sweaters in their undyed grey state. For each season, it sent out its assortment of single-colored sweaters and patterned/fantasy-designed sweaters to the retail outlets.

As data comes in from the stores, color production gets rolling at the factory. Though it is nearly impossible to create pattern sweaters in time for redistribution, it is less difficult — in fact, a proven success — to dye sweaters in solid colors and ship them swiftly to meet the demand. The process is more expensive, but with production responding to demand, the customers get what they want, and

long-term inventory is significantly decreased. Basically, it's *made to order*—not for the individual customer (who buys it off the rack), but for the mass market, which is continually supplied with the "hot items."

THE INFORMATION LINK

A sale rung up at a Benetton store records the type, color, and size of the item, along with an individual store code. What ensues is a process of compiling information about the hot products, in the hot colors, in specific geographical areas.

Computer printouts from all sales are sent to regional agents, who create their own computer sheets and send them to the home office in Trevino via telex. From Trevino, the word goes out to the factories: take those undyed grey sweaters out of the warehouse and into the vats; resupply the colors, types, and sizes that the reports show to be winners.

Until 1985 all of Benetton's production came from factories and nonunion workshops around Treviso. (The nonunion subcontractors have played an important role in controlling labor costs. According to a Harvard Business School report, the nonunion shops produce approximately 40 percent of the knitting, 60 percent of the assembly, and 20 percent of the finishing operations.) Currently, there are 11 union factories producing Benetton products, in addition to the nonunion shops. Seven of these factories are in Italy, with one each in France, Scotland, Spain, and the United States. All factories operate on a 24-hour schedule, making sure that the product goes out.

Although production takes place in other countries, all dyeing and distribution operations are completed in the factories in Italy or in the newest U.S. factory. The dyeing process takes place in a number of the factories in and around Treviso; all distribution is out of their newest Italian factory in Castrette. The Castrette operation is Benetton's current pride and joy. It is completely computerized, as are all of the Benetton factories (Benetton was the first Italian manufacturer to computerize operations for everything from design to distribution). Castrette features modern lasers and robotics that process and move the orders to their proper destinations. All merchandise is also prelabeled for specific destinations, and merchandise is tagged with the correct price in the currency of its destination.

The factory in the United States, which is located in North Carolina, was put into operation in 1986 and runs on a different schedule from the European operation. The U.S. factory manufactures cotton, denim, and sweatsuit designs exclusively for the American market. And unlike the other factories, this one also maintains its own distribution center. The reasons are twofold, according to Francesco Della Barba, executive vice president for Benetton Service Corp. in the United States. Della Barba told *Business Week* that by producing and handling distribution in the United States, shipping time can be cut by as much as two weeks over the time it would take to ship from Italy. Moreover, it enables Benetton to guard itself and its customers from the potentially negative effect of fluctuating dollar values, which have recently driven up the price of Italian-made Benetton products.

THE RETAIL LINK

In early 1987, Benetton Group SpA had 4,000 stores in about 60 countries around the world—a far leap from its first retail outlet in the mountain village of Belluna. Italy still leads with 1,500 shops, but the United States is by far the fastest growing market, with current store totals at 600 and a projection of 1,000 shops by 1988.

The Benetton network is organized regionally. Each region is controlled by an agent, whose job is to decide on appropriate areas for new stores, find qualified individuals for their licensing agreements, and report all findings directly back to the parent company. Thus most of the retail outlets are not directly owned by the parent company, but rather by individuals who agree to follow strict guidelines on everything from merchandising to store layout to product and window display. They agree as well to sell only Benetton merchandise.

These retailers pay no royalties to Benetton Group SpA, and the company invests no money in licensed stores. The two entities are together, yet separate. Most similar operations insist that store owners have a merchandising background. Not so with Benetton. Luciano Benetton told *The New Yorker* that the "right spirit," not merchandising experience, is essential. In summary, that spirit is youthful, progressive, stylish, but not avant-garde. The idea is to be in touch with the customers, to follow the trends, and to understand the concept behind the merchandise.

In an interview with *Capital*, an Italian business magazine, Luciano had this to add about the running of the retail distributions, and the company on the whole: "The classic shopkeeper had to be killed, and we killed him. The real strength of our company is that of a group that has accepted the same policies of production and sales."

PIECES OF A PUZZLE

Understanding what customers want and offering it to them in a specialized location. These are two of the primary goals of Benetton Group SpA, dating back to its beginning. And it appears that the trend they started so long ago is one that is now changing American marketing strategies. In its annual report for 1985, Benetton commented: "A principal feature of 1985 was the change in the U.S. approach to production. Those companies which have survived the crisis of recent years are now more directly in touch with the marketplace, working closely with their customers. . .[Increased specialization in retail distribution plus] the proliferation of market segments has created an opportunity for specialized retail distribution, as well as for marketing strategy and product differentiation."

Essentially, Benetton Group SpA is like one gigantic puzzle. What makes it work, according to Sally Fischer, who handles the company's public relations in the U.S., is that everyone has a job to do, everyone is one piece of the puzzle. "They know what to do, and what is expected. Each piece fits with all the others, and when it comes together—it spells success."

11

New York State Electric and Gas

POWER TO the People

"We have a special obligation to our customers and the community we serve to make sure they are receiving the best service we can give, and we believe our obligation extends to finding ways to help people who cannot afford this service."

So says Irene M. Stillings, assistant vice president of consumer affairs for New York State Electric and Gas Corporation (NYSEG), explaining her company's position on consumer affairs—and why NYSEG was so frequently nominated as "tops in the industry" by the utility companies among AMA survey respondents.

"What we try to do is identify the needs of special target groups among our customers and provide a service which meets their needs," Stillings explains. "The program doesn't necessarily have to service a whole bunch of people. If it only serves a small number of people and helps them, then the program is a success."

And indeed NYSEG works hard to find ways to satisfy the 700,000 electric and 132,000 gas customers it serves across 35 percent of upstate New York. NYSEG's service area is predominately suburban and rural, covering 17,000 square miles. It includes all or part of 43 counties, with a total population of 1,800,000. More than 80 percent of these customers live outside cities.

NYSEG's consumer affairs staff realizes that its customers are not all alike, and it doesn't try to service them as if they were. They have identified three major customer groups: future customers, or students; special needs customers, such as the elderly and the disabled; and basic residential customers who are further broken down into three subgroups: those who are just as concerned with reliability and quality of service as with price; those who are struggling to maintain a reasonable standard of living; and those who can't afford to heat and light their homes.

New York State Electric & Gas

Energy saving tips from NYSEG.

INVESTING IN THE FUTURE

To meet the needs of its future consumers, NYSEG offers an educational services program to schools in the areas it serves. NYSEG established an education advisory panel as part of its ongoing commitment to provide quality energy education materials to teachers and students. The panel is composed of teachers representing grades from kindergarten to high school seniors. These teachers select the energy information and resources that NYSEG offers to the educational community. Included among the resources: films on energy, conservation, and safety topics, appropriate to each grade level; supplementary material to use with regular classroom lessons, such as stickers, puzzles, quizzes, and certificates; and audio visual kits containing films and cassettes and computer software on energy topics.

NYSEG also provides booklets, fact sheets, and coloring books geared for students and adults. One such example is the 14-part Energy Reporter Series of fact sheets. These cover a variety of energy topics with vocabulary lists and questions pertaining to the topic within each fact sheet. NYSEG also offers aids for teachers to increase their understanding of energy issues, and materials for classroom use, such as booklets outlining experiments and projects on various energy topics.

One of the most visible and effective aspects of NYSEG's educational program is its classroom presentations. The presentations include a film and a classroom discussion package using a variety of educational materials especially developed for each program. In 1986, NYSEG sponsored 950 classroom presentations within its service areas, to an audience of nearly 38,000 students.

NYSEG cosponsors the New York Energy Education Project with the SUNY Albany Atmospheric Sciences Research Center, New York State Education Department, and the New York Power Pool. The project is a response to the Regents Action Plan, which calls for improving the quality of education by upgrading curricula, increasing school hours in all grades, and toughening graduation requirements. According to Jim Sprague, supervisor of consumer education at NYSEG, science and

technology education were two areas cited as needing improvement, prompting NYSEG's participation in the project.

The goal of the New York Energy Education Project is to improve the quality of energy education in New York schools by developing curriculum materials and in-service workshops for teachers, as well as identifying local resources within the community. Curriculum activities have been developed and field tested by educators and are being used in classrooms statewide.

If all this is not enough, NYSEG has three energy centers that provide an opportunity for students to view, firsthand, many displays and demonstrations on electricity and energy. These centers are geared toward children from the intermediate grade levels, who visit them as part of a school field trip.

MEETING SPECIAL NEEDS

NYSEG has been a pioneer in reaching out to customers with special needs. It was the first U.S. company to offer a quarterly newspaper for senior citizens. *The Senior Sun* is set in large type and offers information on how to make wise energy decisions and how to get the most for energy dollars. The newspaper is free and made available to customers by request through direct mail. It is especially targeted to the homebound elderly, who wouldn't normally have access to such information.

Information and News For Our Seniors (INFOS) is a program for senior centers and nutrition sites. A representative speaks to senior groups and shows slides on electric and gas safety, wise energy use, and other topics of interest.

Energy Bingo is another senior citizen outreach program. It's a Bingo-type game that gives conservation tips, in addition to safety and consumer information. Every time a number is called, the NYSEG representative running the game will give information about either energy or NYSEG consumer services. Everyone present learns about the safe, efficient use of energy, in addition to receiving a door prize.

Project Share is a program established by the Red Cross and NYSEG. It provides financial assistance to NYSEG's elderly or disabled customers who require help in paying for basic energy needs. The program is administered by the Red Cross and funded by NYSEG and its customers, who add a contribution of their choice to their bills when they pay them. The contribution is then sent to the Red Cross for Project Share. The money helps pay for energy bills and repairs to heating equipment, such as furnaces, or weatherization, such as a broken window.

Project Share can pay up to $200 a year for eligible applicants. All grants are paid directly to the vendor.

In order to participate in the program, a customer must meet the following qualifications: (1) have an energy-related emergency; (2) be a NYSEG customer or live in NYSEG's service area, or (3) be age 60 or older or, regardless of age, be disabled, or have a serious medical problem which is aggravated by the energy emergency. Project Share has already helped almost 4,000 NYSEG customers.

BUDDIES AND VOLUNTEERS

The Friendly Reminder Serivce works like a buddy system. A customer can name a friend, relative, or social agency to be contacted by NYSEG in the event he or she receives a disconnection notice. The person or agency named isn't responsible for paying the bill, but can help make payment arrangements to prevent disconnection.

The Radio Watch Program is yet another way NYSEG seeks to help its special needs customers. The program is a volunteer effort in which NYSEG employees who drive radio-operated trucks receive special directions and instructions on keeping an eye out for crime in their communities. If the NYSEG employee sees a crime, an accident, or a situation that looks suspicious, he will call the local police department by radio and report it. NYSEG has made special arrangements with police departments in many of the communities it serves in order to provide this program.

"Our employees don't get any more involved than reporting what they see to the police, but it's just one more pair of eyes out on the street," Stillings said.

Still another program NYSEG offers to its special needs customers is Seniors Lending A Hand. This program involves hiring retired carpenters, plumbers, and tradesmen to weatherize and improve the homes of low-income senior citizens who cannot afford, or who are not physically able, to do the work themselves. NYSEG pays for all the labor and materials, thus giving work to people who need extra income, while providing the elderly with lower bills and more comfortable homes.

SERVICING RESIDENTIAL CUSTOMERS

NYSEG assists its residential customers with the same efficiency as it serves its special needs and future customers. The Home Energy Analysis Program sends trained NYSEG representatives to customers' homes to do a complete energy check and offer suggestions on energy-saving improvements. Eligible customers can receive help in paying for these improvements with reduced interest loans, which can cover a contractor's work and even some do-it-yourself projects.

An abundance of written information is available to NYSEG customers on energy topics as part of its extensive consumer education program. NYSEG's Energy Sense Series, for example, is a group of 17 pamphlets providing such information as how to read a meter, and how to choose and use appliances most efficiently. This information is developed by NYSEG on the basis of what they feel customers want to know, as determined by surveys, market research, focus groups, requests, and complaint analysis.

"People trust us, especially when it comes to appliances because we're not trying to sell them anything," Stillings explains. "They welcome the energy tips and accept the credibility associated with them."

Helping NYSEG target and initiate many of its programs is its Customer Advisory Panel composed of 15 to 21 members representing a cross section of small user customers (elderly, low-income, farmers, small businesses, consumer advocates, homemakers, consumer education people, agency personnel representing the elderly and/or low-income).

The panel serves two functions: (1) to test proposed NYSEG ideas and policies and to give consumer input while ideas are on the drawing board—whether they are publications, customer service issues, or policy changes; and (2) to assess how NYSEG is serving the public. This will often result in the panel recommending new ways NYSEG can better help customers.

The panel was started six years ago after a community assessment of who NYSEG wanted to reach. "We went to people who were known to us," Stillings explains. "Now the panel picks its own members through networking in their communities." It meets once a month and develops its own agenda, which changes as its membership changes. Panel members have a maximum two-year term.

In December 1986, NYSEG introduced a new utility bill to assist all of its customers. This new bill is easier to understand and tells about a customer's energy use in an itemized format. The first bill included a comment card, so customers could tell NYSEG how they felt about it, and offer suggestions for improving it. NYSEG is now evaluating customer comments and suggestions, and may make changes in the bill's format at the end of its first year of use.

NYSEG is the first utility in the state to issue a new, more informative bill approved by the Public Service Commission. Special features of the new bill include:

- The customer's account number in the upper right-hand corner.
- A payment stub to return with payment.
- Breakdowns of summary charges for gas and electricity.
- Scheduled date of the customer's next meter reading.
- The phone number of the local NYSEG office.
- A "bulletin board" that includes special messages about the bill (such as "You have given a total of $10,000 to Project Share. This contribution is tax deductible."), and an energy tip.
- The number of days in and the starting and ending days of the billing period.
- A step-by-step calculation of energy use and charges.
- Whether the meter reading was "actual," "estimated," or "your reading."
- Definitions on the back of the bill to help customers understand it better.
- For residential customers only, bar graphs that allow the customer to compare electric and natural gas use over the previous 14 months.

"Customers really like the new bill," reports Stillings. "Comments are running two to one in favor of it. There seems to be a wide range of customer acceptance and approval. The bill's most appreciated features appear to be the bar graphs and the two page open layout. 'For the first time, I really understand what I'm paying for' is the comment I hear most often."

On the other hand, many customers don't like the fact that the bill is now two pages long. "Their attitude is, 'I trust you, and I don't need all this extra information. Just tell me what I owe, and I'll pay it,'" Stillings notes.

In the future, NYSEG plans to continue to answer the special needs of its customers with large print bills for the vision impaired, telecommunication devices for the deaf (TDD) equipment, and eventual expansion of its educational services by distributing software to schools along with its film library.

"We are limiting the development of new projects for the future because we want to consolidate what we have," explains Stillings. "We don't want to expand too much because then we won't be able to effectively run the programs we already have in progress."

Providing its customers with basic gas and electric service is just as important to NYSEG as are all its special programs. NYSEG has been rated extremely high universally in answering emergency calls and has a 99.9 percent reliability factor.

NYSEG measures customer satisfaction with surveys, complaint analysis, focus groups, round-tables, consumer panels, and face-to-face discussions with people in the organization.

"Some people will never be happy because they have to use us and our rates, and because we provide a service they can't see or measure. This invisibility makes the service hard to comprehend," Stillings says.

"We bill our customers every two months and thus sometimes customers will lose their perspective on what they're paying for. Also, the vast majority of customers never have any direct contact with us, and only know us by their bills.

"We have always been close to our consumers and a little bit more sensitive to their needs than other companies. We can't pick up our pipes and lines and go elsewhere — we're wedded to the area we serve. If the economy is healthy, we're healthy. If our customers are satisfied they won't complain. Call this an enlightened self-interest on our part. Basically, we believe if you treat your customers well, they'll stay with you and be loyal to you and not complain about you."

This attitude makes it plain why NYSEG was cited by 25 utilities as being tops in customer relations.

"It's an honor to receive this distinction," Stillings commented. "Everyone at NYSEG works very hard at satisfying our customers, and I think we have a pretty well-rounded program."

"Evaluation of the panel is ongoing," says Stillings. "We at NYSEG believe that the panel has had a positive impact on the company's programs and on our sensitivity to the needs of our customers."

ADAPTING TO SPECIAL CIRCUMSTANCES

At the center of NYSEG's customer assistance program are its 13 customer representatives, who are mostly social workers hired from the communities they serve. They try to discover why a customer is having trouble paying a bill and will assist in such areas as finding jobs, obtaining needed home repairs, arranging for a donation of clothing or furniture, applying for medical assistance and government grants, obtaining community group aid, working out a payment agreement, and even helping customers develop a family budget.

NYSEG has several programs in place designed to make doing business with the company easier. The most unique of these is One Less Worry, a hospital referral program. When a customer or customer's family member is hospitalized, and if NYSEG is notified, all collection efforts will be suspended for 30 days to give the customer a chance to deal with his or her medical situation. If the

NYSEG is not the only company sensitive to the special needs of its customers. A new training package distributed by the National Association of State Units on Aging (NASUA) shows how other organizations with public contact can help bring needed services to the elderly. The package, called the Gatekeeper Program, is based on a public/private sector initiative between the Puget Sound Power and Light Company and the Washington Bureau on Aging. Customer-contact employees, such as telephone representatives, meter readers, and newspaper carriers act as the "gatekeepers" of the community by locating elderly people who are in need of assistance in daily living.

Unlike customer representatives at NYSEG, these employees are not social workers. Through neighborly interaction, they refer older persons to local agencies for the aging, and sometimes even do this anonymously.

The training package is a one-hour program designed to sensitize employees to the needs of the elderly. It consists of a 15-minute video and instruction guide for developing a program appropriate to a particular company's locale. Many times this includes talks with state and local organizations for the elderly.

Employees are taught that piled-up mail, an uncut lawn, a confused individual, or a too hot or too cold home are signs that a customer may require special assistance. They are then encouraged to take the initiative and determine whether everything is all right, and if not, to make a referral to the proper agency or organization.

The program is specifically targeted to the elderly who are emotionally isolated, vulnerable, frail, low-income, minority, or who have a language barrier problem.

"The program is a success in several ways," said Theresa N. Lambert, director of development for NASUA. "First, the elderly receive the help they need. Second, it's a company cost saver in that it reduces the amount of time staff members spend processing reports of older customers' problems. Third, it increases employee morale. Staff members feel good about themselves when they help other people."

Currently, 40 utilities have adopted the program, with 15 more expected to do so in the next several months. The program was designed for the utility industry, but plans are in the works to extend it to other businesses, such as banks, food stores, and pharmacies.

customer needs more than 30 days, he can then work out an individual payment plan with NYSEG. A consumer representative will visit the customer at home to make the arrangements.

"This kind of personal attention makes good business sense," according to Stillings. "It makes people more able and willing to pay their bills, and we know ours won't get shoved to the bottom of the pile. It helps people who need help and creates a perception of NYSEG as a company that cares." The program was piloted in a small service area last year and was successful enough to be expanded systemwide.

New York State Electric & Gas

Through NYSEG's Convenient Due Date Billing service, customers can extend the due dates of their utility bills to fit more comfortably into their financial schedule. This way, customers can time bill payments with the date their retirement and/or social security checks arrive in order to avoid a late payment charge. To qualify for this service, a customer must be head of the household, permanently retired, and a residential customer.

Customers can opt to spread out their utility costs evenly during the year with the Budget Billing Plan. NYSEG will take a customer's bill from the previous year and use it to estimate the current year's bill, which is then divided into 12 equal payments. The billing year starts in September, and in August the customer's account is balanced. If he has paid more than needed, a credit will be applied or a refund made. If a customer has underpaid, the balance must be paid at this time.

Another money-saving workshop NYSEG offers is Operation Button Up. Participants are taught low-cost and no-cost weatherization techniques they can do themselves. They receive a free kit of materials that includes such items as weather stripping, caulking, water-heater wraps, interior plastic storm windows, and draft stoppers. Volunteers are available to help install these materials. The workshops are usually held in local schools in the evening and run from mid-September to mid-November, when people are preparing for the heating season.

Operation Button Up is tailored to four different audiences; the low-income homeowners and renters (many of whom are single, head-of-household women); farm owners; mobile-home owners; and the Spanish speaking. In the fall of 1986, the program helped 5,000 customers.

Additional Survey Statistics

WHOLE SAMPLE

	Total: 267	**Small: 103**	**Mid-Sized: 84**	**Large: 80**
SECTION I, Q. 1—Annual Sales				
		Less than $50M	$50M—$500M	More than $500M
	Number: 267	Number: 103	Number: 84	Number: 80
	Pct.: 100%	Pct.: 38.6%	Pct.: 31.5%	Pct.: 29.9%
SECTION I, Q. 2—Changes in Annual Sales				
Pct. Reporting Increase	67 %	68 %	64 %	68 %
Average Increase	16 %	19 %	17 %	13 %
Pct. Reporting Constant	29 %	25 %	32 %	24 %
Pct. Reporting Decrease	4 %	5 %	2 %	6 %
Average Decrease	-10 %	-7 %	-17 %	-11 %

WHOLE SAMPLE

SECTION I, Q. 3—Business Category

	Total	**Small**	**Mid-sized**	**Large**
Diversified Conglomorate	5	0	2	3
Banking, Finance	9	0	3	6

Additional Survey Statistics

	Total	Small	Mid-sized	Large
Communications/ Publishing	5	0	2	3
Construction	2	0	2	0
Education	2	1	1	0
Entertainment/ Rec./ Lodging	8	3	3	2
Food Processing/ Agribus.	19	2	4	12
Government/ Military	0	0	0	0
Health Care/ Medical	18	7	7	4
Insurance	10	1	4	5
Manufacturing: Consumer Gds	52	13	18	22
Manufacturing: Indus. Gds	47	23	18	5
Mineral Extrac./ Processing	3	0	2	1
Professional Services	12	6	3	2
Trade (Wholesale/ Retail)	19	6	4	8
Transport	4	1	0	3
Utilities	20	1	1	18
Other	29	13	9	7

WHOLE SAMPLE

SECTION II, Q. 1 – Consumer Affairs Tactics

	Total: 267			Small: 103			Mid-Sized: 84			Large: 80		
Tactic	% Use	% Don't Use	Ave. Rtg.	% Use	% Don't Use	Ave. Rtg.	% Use	% Don't Use	Ave. Rtg.	% Use	% Don't Use	Ave. Rtg.
A.	53%	47%	4.08	45%	55%	3.91	54%	46%	4.02	58%	42%	4.22
B.	38%	62%	3.33	38%	62%	2.97	35%	65%	3.31	42%	58%	3.62
C.	61%	39%	3.75	49%	51%	3.69	58%	42%	3.63	72%	28%	3.85
D.	31%	69%	3.59	23%	77%	3.29	32%	68%	3.69	37%	63%	3.66
E.	55%	45%	3.89	34%	66%	3.31	55%	45%	4.04	72%	28%	4.00
F.	62%	38%	3.61	51%	49%	3.69	55%	45%	3.58	76%	24%	3.59
G.	61%	39%	3.70	48%	53%	3.71	57%	43%	3.77	75%	25%	3.65
H.	36%	64%	3.70	25%	75%	3.33	37%	63%	3.65	44%	56%	3.91
I.	20%	80%	3.33	18%	83%	2.77	20%	80%	3.56	22%	78%	3.48

A. 800 numbers for comments, questions, or complaints
B. Comment cards enclosed with merchandise
C. Mail/phone questionnaires
D. Point-of-purchase surveys
E. Focus groups on existing product line
F. Consumer education materials
G. Employee training in consumer relations
H. Regular company-wide programs on consumer relations
I. Assigning non-sales personnel to point-of-purchase stations

WHOLE SAMPLE

SECTION II, Q. 2—Most Effective Tactics

Tactic	Total: 267	Small: 80	Mid-Sized: 84	Large: 103
A.	Pct. Citing: 36% Ave. $— Pers. $218,000 Ave. $— Other $166,000	Pct. Citing: 33% Ave. $— Pers. $146,000 Ave. $— Other $130,000	Pct. Citing: 32% Ave. $— Pers. $113,000 Ave. $— Other $ 47,000	Pct. Citing: 41% Ave. $— Pers. $357,000 Ave. $— Other $296,000
B.	Pct. Citing: 13% Ave. $— Pers. $47,000 Ave. $— Other $56,000	Pct. Citing: 14% Ave. $— Pers. $20,000 Ave. $— Other $62,000	Pct. Citing: 12% Ave. $— Pers. $25,000 Ave. $— Other $16,000	Pct. Citing: 14% Ave. $ Pers. $92,000 Ave. $— Other $93,000
C.	Pct. Citing: 36% Ave. $— Pers. $57,000 Ave. $— Other $88,000	Pct. Citing: 35% Ave. $— Pers. $24,000 Ave. $— Other $70,000	Pct. Citing: 36% Ave. $— Pers. $47,000 Ave. $— Other $61,000	Pct. Citing: 35% Ave. $ Pers. $91,000 Ave. $— Other 148,000
D.	Pct. Citing: 11% Ave. $— Pers. $62,000 Ave. $— Other $21,000	Pct. Citing: 11% Ave. $— Pers. $77,000 Ave. $ Other $15,000	Pct. Citing: 13% Ave. $— Pers. $17,000 Ave. $ Other $18,000	Pct. Citing: 11% Ave. $ Pers. $91,000 Ave. $— Other $33,000
E.	Pct. Citing: 25% Ave. $ Pers. $58,000 Ave. $ Other $33,000	Pct. Citing: 16% Ave. $ Pers. $73,000 Ave. $ Other $30,000	Pct. Citing: 26% Ave. $ Pers. $33,000 Ave. $ Other $35,000	Pct. Citing: 32% Ave. $— Pers. $74,000 Ave. $— Other $33,000

- more -

WHOLE SAMPLE

SECTION II. Q. 2 – Most Effective Tactics

Tactic	Total:	Small:	Mid-Sized:	Large:
F.	Pct. Citing: 27% Ave. $— Pers. $63,000 Ave. $— Other $144,000	Pct. Citing: 28% Ave. $— Pers. $80,000 Ave. $— Other $102,000	Pct. Citing: 26% Ave. $— Pers. $60,000 Ave. $— Other $148,000	Pct. Citing: 27% Ave. $— Pers. $56,000 Ave. $— Other $171,000
G.	Pct. Citing: 29% Ave. $— Pers. $222,000 Ave. $— Other $72,000	Pct. Citing: 24% Ave. $— Pers. $27,000 Ave. $— Other $19,000	Pct. Citing: 27% Ave. $— Pers. $82,000 Ave. $— Other $64,000	Pct. Citing: 34% Ave. $— Pers. $577,000 Ave. $— Other $133,000
H.	Pct. Citing: 10% Ave. $— Pers. $63,000 Ave. $— Other $50,000	Pct. Citing: 11% Ave. $— Pers. $44,000 Ave. $— Other $50,000	Pct. Citing: 10% Ave. $— Pers. $96,000 Ave. $— Other $50,000	Pct. Citing: 9% Ave. $— Pers. $42,000 Ave. $— Other $50,000
I.	Pct. Citing: 4% Ave. $— Pers. $423,000 Ave. $— Other $158,000	Pct. Citing: 7% Ave. $— Pers. $22,000 Ave. $— Other $25,000	Pct. Citing: 4% Ave. $— Pers. $658,000 Ave. $— Other $212,000	Pct. Citing: 1% Ave. $— Pers. $50,000 Ave. $— Other $

A. 800 numbers for comments, question, or complaints

B. Comment cards enclosed with merchandise

C. Mail, phone questionnaires

D. Point-of-purchase surveys

E. Focus groups on existing product line

F. Consumer education materials

G. Employee training in consumer relations

H. Regular company-wide programs on consumer relations

I. Assigning non-sales personnel to point-of-purchase stations

WHOLE SAMPLE

SECTION II, Q. 4 – Consumer Affairs Dept.

	Total: 267	Small: 103	Mid-Sized: 84	Large: 80
4a. Year Begun	Midpoint: '80-81 Mode: 1985 Earliest: 1920	Midpoint: '82-83 Mode: '82-83 Earliest: 1920	Midpoint: '80-81 Mode: 1985 Earliest: 1965	Midpoint: 1977 Mode: '82-83 Earliest: 1930

4b. Staff	Mgmt—Ave: 5 Hrly—Ave: 11	Mgmt—Ave: 2 Hrly—Ave: 5	Mgmt—Ave: 3 Hrly—Ave: 9	Mgmt—Ave: 6 Hrly—Ave: 14
4c. Head of Dept.	**Pct.** Senior 21% Middle 64% Supvr. 13%	**Pct.** Senior 22% Middle 56% Supvr. 22%	**Pct.** Senior 11% Middle 72% Supvr. 17%	**Pct.** Senior 24% Middle 63% Supvr. 10%
4d. Dept. Head Reports To:	**Pct.** VP, Mktg. 14% VP, Cons. Aff. 7% VP (Other) 37% Pres./CEO 14% Other 27%	**Pct.** VP, Mktg. 21% VP, Cons. Aff. 5% VP (Other) 37% Pres./CEO 21% Other 16%	**Pct.** VP, Mktg. 21% VP, Cons. Aff. 9% VP (Other) 38% Pres./CEO 15% Other 18%	**Pct.** VP, Mktg. 10% VP, Cons. Aff. 6% VP (Other) 37% Pres./CEO 13% Other 34%
4e. Ave. Annual Exps.	Pers: $369,000 Other: $321,000	Pers: $145,000 Other: $100,000	Pers: $377,000 Other: $289,000	Pers: $422,000 Other: $397,000
4f. Change From Prev. Year	% Higher: 39% % Lower: 2% % Same: 59%	% Higher: 35% % Lower: 6% % Same: 59%	% Higher: 38% % Lower: 3% % Same: 59%	% Higher: 41% % Lower: 0% % Same: 59%

WHOLE SAMPLE

SECTION III, Q's 1 & 2—Customer Service

Tactic	Total: 267	Small: 103	Mid-Sized: 84	Large: 80
A.	Pct. Using: 65% Ave. Rating: 3.86 Listed "Most Effective" by: 26%	Pct. Using: 59% Ave. Rating: 3.89 Listed "Most Effective" by: 21%	Pct. Using: 74% Ave. Rating: 3.76 Listed "Most Effective" by: 33%	Pct. Using: 63% Ave. Rating: 3.92 Listed "Most Effective" by: 23%
B.	Pct. Using: 89% Ave. Rating: 4.00 Listed "Most Effective" by: 60%	Pct. Using: 86% Ave. Rating: 3.88 Listed "Most Effective" by: 63%	Pct. Using: 93% Ave. Rating: 4.00 Listed "Most Effective" by: 65%	Pct. Using: 88% Ave. Rating: 4.10 Listed "Most Effective" by: 53%
C.	Pct. Using: 87% Ave. Rating: 3.88 Listed "Most Effective" by: 59%	Pct. Using: 86% Ave. Rating: 3.78 Listed "Most Effective" by: 65%	Pct. Using: 87% Ave. Rating: 3.93 Listed "Most Effective" by: 62%	Pct. Using: 87% Ave. Rating: 3.90 Listed "Most Effective" by: 52%
D.	Pct. Using: 69% Ave. Rating: 3.90 Listed "Most Effective" by: 28%	Pct. Using: 68% Ave. Rating: 4.06 Listed "Most Effective" by: 31%	Pct. Using: 73% Ave. Rating: 3.66 Listed "Most Effective" by: 24%	Pct. Using: 66% Ave. Rating: 4.00 Listed "Most Effective" by: 29%

WHOLE SAMPLE

SECTION III, Q's 1 & 2 - Customer Service

Tactic	Total	Small	Mid-Sized	Large
E.	Pct. Using: 91% Ave. Rating: 3.90 Listed "Most Effective" by: 40%	Pct. Using: 88% Ave. Rating: 3.89 Listed "Most Effective" by: 38%	Pct. Using: 93% Ave. Rating: 3.96 Listed "Most Effective" by: 44%	Pct. Using: 91% Ave. Rating: 3.89 Listed "Most Effective" by: 39%
F.	Pct. Using: 82% Ave. Rating: 3.60 Listed "Most Effective" by: 36%	Pct. Using: 75% Ave. Rating: 3.48 Listed "Most Effective" by: 30%	Pct. Using: 79% Ave. Rating: 3.58 Listed "Most Effective" by: 25%	Pct. Using: 89% Ave. Rating: 3.71 Listed "Most Effective" by: 50%

A. Unconditional warranty/refund policy

B. Quality control & product assurance

C. On-time delivery of product/service

D. Post-sale repair and replacement service

E. Ability to expedite special customer requests

F. Special training for customer service personnel

WHOLE SAMPLE

SECTION IV, Q's 1, 2, & 3 - Sales Force Training & Tactics

Tactic	Total: 267	Small: 103	Mid-Sized: 84	Large: 80
1. Ongoing Training	Yes: 65% No: 33%	Yes: 56% No: 44%	Yes: 64% No: 36%	Yes: 77% No: 23%
2. Days of Training At Start	Pct. doing: 69.7% Ave. Days: 32	Pct. doing: 66% Ave. Days: 20	Pct. doing: 66% Ave. Days: 32	Pct. doing: 71% Ave. Days: 41
3a. Hours Product Service	Pct. doing: 60.3% Ave. Hrs.: 42	Pct. doing: 49.5% Ave. Hrs.: 32	Pct. doing: 66.7% Ave. Hrs.: 55	Pct. doing: 67.5% Ave. Hrs.: 37

3b. Hours Selling Tactics	Pct. doing: 56.2% Ave. Hrs.: 27	Pct. doing: 46.6% Ave. Hrs.: 26	Pct. doing: 61.9% Ave. Hrs.: 26	Pct. doing: 62.5% Ave. Hrs.: 30
3c. Hours Interp. Relations	Pct. doing: 43.5% Ave. Hrs.: 18	Pct. doing: 42.7% Ave. Hrs.: 13	Pct. doing: 47.6% Ave. Hrs.: 27	Pct. doing: 40.0% Ave. Hrs.: 12
3d. Hours Consult. Selling	Pct. doing: 40.1% Ave. Hrs.: 32	Pct. doing: 36.9% Ave. Hrs.: 19	Pct. doing: 38.1% Ave. Hrs.: 52	Pct. doing: 46.3% Ave. Hrs.: 26
3e. Hours Other	Pct. doing: 6% Ave. Hrs.: 18	Pct. doing: 6% Ave. Hrs.: 17	Pct. doing: 5% Ave. Hrs.: 28	Pct. doing: 7% Ave. Hrs.: 14

WHOLE SAMPLE

SECTION V, Q's 1 thru 6 - Internal Measures

Tactic	**Total: 267**	**Small: 103**	**Mid-Sized: 84**	**Large: 80**
1. Regular Counts	Yes: 72.6% No: 27.4%	Yes: 56.3% No: 43.7%	Yes: 72.6% No: 27.4%	Yes: 85.4% No: 14.6%
2. Regular Reports	Yes: 66.3% No: 33.7%	Yes: 43.8% No: 56.2%	Yes: 69.1% No: 30.9%	Yes: 81.5% No: 18.5%
Highest Level To Receive Reports To:	Pct. C.E.O. 61% Chairman 15% V.P. 15% G.M. 4% Other 2%	Pct. C.E.O. 83% Chairman 6% V.P. 6% G.M. -% Other 6%	Pct. C.E.O. 55% Chairman 12% V.P. 21% G.M. 5% Other -%	Pct. C.E.O. 56% Chairman 20% V.P. 16% G.M. 5% Other 4%
3. Track Response Time	Yes: 64.8% No: 35.2%	Yes: 46.3% No: 53.7%	Yes: 63.1% No: 36.9%	Yes: 80.6% No: 19.4%
4. Part of Competitive Analysis	Yes: 34.1% No: 65.9%	Yes: 33.8% No: 66.3%	Yes: 34.5% No: 65.5%	Yes: 34.0% No: 66.0%

Additional Survey Statistics

Tactic	Total: 267	Small: 103	Mid-Sized: 84	Large: 80
5. Part of Strategic Plan	Yes: 60.7% No: 39.3%	Yes: 50.0% No: 50.0%	Yes: 56.0% No: 44.0%	Yes: 72.8% No: 27.2%
6. Part of Performance Appraisal	Yes: 42.0% No: 58.0%	Yes: 25.0% No: 75.0%	Yes: 38.1% No: 61.9%	Yes: 58.3% No: 41.7%

RESOURCES

A listing of products and services available from the American Management Association

SEMINARS

1. "Fundamentals of Customer Service" #5270G86
   2-day course $580 members, $665 non-members

Learn the basic skills needed to succeed in customer service. Designed for consumer service representatives with zero to two years' experience, who want to develop the necessary skills to successfully fulfill their companies' obligation to its customers.

2. Managing Your Customer Service Department #5268G87
   2 day course $590 members, $680 non-members

   60 percent of corporate sales should come from current customers. The course is designed to show registrants how to achieve that standard. Structured for new managers (zero to three years experience), it is applicable to manufacturing and service industries.

AMACOM BOOKS:

1. *How to Improve Customer Service*
   by E. Patricia Birsner & Ronald D. Baisley
   1987 300 pages $55.00

A concentrated treatment of all the essential aspects of customer service.

2. *I Know It When I See It: A Modern Fable About Quality*
   by John Guaspari
   1985 96 pages $9.95

An unconventional table about an all important, but highly elusive ideal, "Quality."

3. *Theory WHY*
   by John Guaspari
   1986 128 pages $9.95

The sequel to *I Know It When I See It, Theory WHY* goes one step further to show the reader why Quality & Profit depend on all the divisions of a company working as a whole to increase value to the customer.

4. *The Vital Difference: Unleashing the Powers of Sustained Corporate Success*
   by Frederick G. Harmon and Garry Jacobs
   With a note from Peter F. Drucker
   1985 288 pages $18.95

A fascinating view of the corporation as a living entity, with a personality much like that of a human being.

5. *The Corporate Conscience*
   by David Freudberg
   1986 248 pages $18.95

30 interviews with top business leaders. A first hand look at the conflict between morality and the bottom line.

6. *Consultative Selling* (Third Edition)
   by Mack Hanan
   1987 (paperback) 160 pages $8.95

A ground breaking book on sales techniques, that proposes the concept that effectively makes the salesperson a partner of the customer rather than simply a vendor.

AMA FILM AND VIDEO

1. In Search of Excellence: The Film
   Book by Tom Peters and Bob Waterman
   Produced by Nathan Tyler
   90 minutes $325 members, $375 non-members
   (Not available for rental or executive preview)

A behind the scenes study of the people who make excellence happen at eight of the world's best run corporations. Used to motivate your employees to achieve on-the-job excellence.

2. Customer Service: It's Everyone's Job
   23 minutes $545 members, $600 non-members
   (Available for rental and executive preview)

   Three easy-to-follow video segments demonstrate the central importance of basic courtesy, proper attitude and service skills in an engaging and meaningful way.

3. The Telephone Doctor Movie 1: On Incoming Calls
   The Telephone Doctor Movie 2: More on Incoming Calls
   $495 member, $550 non-member (for each film)
   (Available for rental and executive preview)

#1 presents practical techniques for putting callers on hold, transferring from department to department, and getting the caller's name every time. #2 covers courteously handling complaint calls, recognizing buying signs and taking detailed messages, and controlling emotional leakage.

4. I Know It When I See It: The Film
   17 minutes $355 members, $395 non-members
   (Available for rental and executive preview)

Film version of John Guaspari's modern-day fable about the search for quality, and it's implication on customer satisfaction.

5. Choosing to Lead
   18 minutes $495 members, $545 non-members
   Available for rental and executive preview

   Motivational documentary to inspire supervisors and managers to develop the qualities that make good leaders.

AUDIO-CASSETTE/WORKBOOK PROGRAMS:

1. How to Improve Customer Service
   $145 members, $155 non-members
   Additional workbooks: $18 members, $20 non-members

This package provides concrete guidelines, designed to increase the return on your customer relations dollar, for both the manager and the employees of your customer relations department.

BRIEFING REPORTS:

1. *Growth Partnering: How to Manage Strategic Alliances for Mutual Profit*
   by Mack Hanan
   1986 103 pages $7.50 to members, $10.00 to non-members

Examines the concept of making your customer your partner. By contributing to his growth, you are in fact helping your own company grow.

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